California Department of Education
Charter Schools Division
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**ADVISORY COMMISSION ON CHARTER SCHOOLS**

AN ADVISORY BODY TO THE STATE BOARD OF EDUCATION

# April 2023 AgendaItem #02

## Subject

Consideration of Requests for Determination of Funding with “Reasonable Basis”/Mitigating Circumstances as Required for Nonclassroom-Based Charter Schools Pursuant to California *Education Code* sections 47612.5 and 47634.2, and Associated *California Code of Regulations*, Title 5.

## Type of Action

Action, Information

## Summary of the Issue

California *Education Code* (*EC*)sections 47612.5 and 47634.2 established the eligibility requirements for apportionment funding for charter schools that offer nonclassroom-based (NCB) instruction. The statutes specify that a charter school that offers NCB instruction in excess of the amount authorized by *EC* Section 47612.5(e)(1) may receive apportionment funding for NCB instruction only if a determination of funding is made by the California State Board of Education (SBE). The California Department of Education (CDE) reviews a charter school’s determination of funding request and presents it for consideration by the Advisory Commission on Charter Schools (ACCS), pursuant to relevant *California Code of Regulations*, Title 5 (5 *CCR*). The ACCS may include the consideration of mitigating circumstances in conjunction with a recommendation to the SBE.

This item considers determination of funding requests with mitigating circumstances for 35 charter schools.

## Proposed Recommendation

The CDE proposes to recommend that the SBE take action on all charter schools’ mitigating circumstances requests and determination of funding requests as specified in Attachment 1.

## Funding Determination Criteria

*EC* Section 47634.2(a)(1) provides the following:

Notwithstanding any other provision of law, the amount of funding to be allocated to a charter school on the basis of average daily attendance that is generated by pupils engaged in nonclassroom-based instruction…shall be adjusted by the State Board of Education. The State Board of Education shall adopt regulations setting forth criteria for the determination of funding for nonclassroom-based instruction, at a minimum the regulation shall specify that the nonclassroom-based instruction is conducted for the instructional benefit of the pupil and substantially dedicated to that function. In developing these criteria and determining the amount of funding to be allocated to a charter school pursuant to this section, the State Board of Education shall consider, among other factors it deems appropriate, the amount of the charter school’s total budget expended on certificated employee salaries and benefits and on schoolsites, as defined in paragraph (3) of subdivision (d) of Section 47612.5, and the teacher-to-pupil ratio in the school.

*EC* Section 47634.2(a)(4) further states:

For the 2003–04 fiscal year and each fiscal year thereafter, the amount of funding determined by the State Board of Education pursuant to this section shall not be more than 70 percent of the unadjusted amount to which a charter school would otherwise be entitled, unless the State Board of Education determines that a greater or lesser amount is appropriate based on the criteria specified in paragraph (1) of subdivision (a).

Pursuant to *EC* Section 47634.2 and SBE-adopted regulations, a charter school may qualify for either 70 percent, 85 percent, or 100 percent funding, or may be denied funding (i.e., 0 percent) for its NCB instruction.

To qualify for a recommendation for 100 percent funding, a charter school must meet the following criteria:

* Spend at least 40 percent of the school’s public revenues on salaries and benefits for all employees who possess a valid teaching certificate
* Spend at least 80 percent of all revenues on instruction and related services
* Maintain a ratio of average daily attendance (ADA) for independent study pupils to full-time certificated employees (FTE) that does not exceed a pupil-to-teacher ratio (PTR) of 25:1 or the PTR of the largest unified school district in the county or counties in which the charter school operates

The expenditure and PTR criteria for all funding levels for which a charter school may qualify to receive for its NCB instruction are specified in 5 *CCR* Section 11963.4(a). A summary of the criteria is provided in the table below:

Nonclassroom-Based Instruction Funding Levels

NA: Not Applicable

| **Funding Level** | **Percentage Spent on Certificated Salaries and Benefits** | **Percentage Spent on Instruction and Related Services** | **PTR[[1]](#footnote-1)** |
| --- | --- | --- | --- |
| **100%** | ≥ 40 | ≥ 80 | ≤ 25 to 1 |
| **85%** | ≥ 40 | ≥ 70 | NA |
| **70%** | ≥ 35 | ≥ 60 | NA |
| **0%** | < 35 | < 60 | NA |

A determination of funding may not exceed five years, pursuant to *EC* Section 47612.5(d)(2). For a new charter school in its first year of operation, a funding determination shall be for a period of two fiscal years, pursuant to 5 *CCR* Section 11963.6(a). For an existing charter school with an active funding determination, a funding determination shall be in increments of a minimum of two years and a maximum of five years in length, pursuant to 5 *CCR* Section 11963.6(c). For an existing charter school with an active funding determination, it is the CDE’s current practice to recommend a time period of three or four years based on the number of times the charter school has renewed its funding determination with the SBE.

For charter schools requesting the consideration of mitigating circumstances, the CDE typically recommends a funding determination period of two years, regardless of the number of times the school has renewed its funding determination with the SBE. A period of two years allows the CDE to timely revisit a charter school’s funding determination, ensure that the school meets the appropriate expenditure requirements for its approved level of funding for its NCB instruction, and follow up on other matters reported by the school on its funding determination form.

In the past, the CDE recommended five-year periods dependent on a charter school’s Academic Performance Index (API) rank, pursuant to *EC* Section 47612.5(d)(2); however, because API is no longer calculated, the CDE does not currently recommend five-year funding determination periods.

### Mitigating Circumstances

For charter schools that do not meet the requirements and criteria outlined in 5 *CCR* Section 11963.4(a), the ACCS may find a “reasonable basis” (also referred to as mitigating circumstances) by which to make another recommendation in order to allow an NCB charter school to receive a higher percentage of funding than it qualifies for based on its expenditures (5 *CCR* Section 11963.4[e]). Specifically, 5 *CCR* Section 11963.4(e), allows the ACCS to consider “documented data regarding individual circumstances of the charter school” and provides examples of the types of mitigating circumstances that the ACCS might consider, which may include, but are not limited to, the following:

* Information provided by the charter school, pursuant to 5 *CCR* Section 11963.3(b)(2) through (8)
	+ PTR, calculated pursuant to 5 *CCR* Section 11704
	+ Listing of entities receiving $50,000 or 10 percent or more of total expenditures
	+ Identification of governing board members
	+ Explanation of outgo transfers; explanation of reserves, if over the allowable amount
	+ Facility costs and square footage
	+ Number of FTE employees with a valid teaching certificate
* Documented data regarding individual circumstances of the charter school (e.g., one-time or unique or exceptional expenses for facilities, acquisition of a school bus, acquisition and installation of computer hardware not related to the instructional program, special education charges levied on the charter school by a local educational agency, restricted state, federal, or private grants of funds awarded to the charter school that cannot be expended for teacher salaries, or contracted instructional services other than those for special education)
* The size of the charter school
* The number of years the charter school has been in operation

Additionally, under 5 *CCR* Section 11963.4(e), the ACCS shall give charter schools with less than a total of one hundred (100) units of prior year second period ADA or that are in their first year of operation serious consideration of full funding.

When considering a charter school’s request for mitigating circumstances, the CDE also reviews other information included on the school’s funding determination form, including the school’s reserves. Pursuant to 5 *CCR* Section 11963.3(a)(5)(F):

Reserves in excess of the greater of fifty-thousand dollars or five percent of total expenditures may be allowed for economic uncertainties or long-term expenditures such as capital projects if the excess reserves are satisfactorily explained pursuant to section 11963.4(b).

The CDE also considers a charter school’s previous requests to the ACCS and the SBE for the consideration of mitigating circumstances.

## Analysis of Mitigating Circumstances Requests

Despite requesting to be funded at 100 percent for their NCB instruction, all schools presented in this item do not meet the requirements to qualify for 100 percent funding based on reported fiscal year (FY) 2021–22 data. Details of each school’s mitigating circumstances, as well as the CDE’s analysis of its mitigating circumstances requests and proposed recommendation to the SBE, are provided below.

If a school’s determination of funding request is approved, the school will be eligible to receive funding for its ADA generated through NCB instruction as approved by the SBE, pursuant to *EC* Section 47634.2(c).

For instances in which a school’s funding determination is approved at a lower level than requested, the school may submit a funding determination reconsideration request, pursuant to 5 *CCR* Section 11963.6(g).

### Proposed Recommendations for Approval

The CDE finds a reasonable basis for the following schools to be approved for a higher level of funding despite not meeting the regulatory criteria outlined in 5 *CCR* Section 11963.4(a). Therefore, the CDE proposes to recommend that the SBE approve the schools’ mitigating circumstances requests and determination of funding requests as specified below and in Attachment 1.

Although a school’s mitigating circumstances request may be recommended for approval, the recommended funding level for the school may be less than 100 percent, which the CDE addresses in its analysis.

#### Butterfield Charter, Charter #0867

The CDE proposes to recommend that the SBE approve the school’s mitigating circumstances request and approve its determination of funding request at 100 percent.

Without the consideration of mitigating circumstances, the school qualifies for 70 percent funding for its NCB instruction:

Butterfield Charter Nonclassroom-Based Instruction Funding

| **Criteria** | **Percentage Spent on Certificated Salaries and Benefits** | **Percentage Spent on Instruction and Related Services** | **PTR** |
| --- | --- | --- | --- |
| **70 Percent Funding** | ≥ 35 | ≥ 60 | NA |
| **Charter School** | 53.48 | 61.92 | 18.82 |

The following bullets summarize the school’s mitigating circumstances request. The school’s complete mitigating circumstances request is provided in Attachment 2.

* Porterville Unified School District’s (PUSD’s) implementation of an independent study program (separate from the charter school) and reassignment of the school’s teachers to this program in response to the COVID-19 pandemic (pandemic), which reduced the school’s NCB ADA as students previously attending the school transitioned to the new program
* Supply chain issues and postponement of the school’s expenditures as a result of the pandemic
* Inability to fill teacher vacancies due to the statewide teacher shortage

The CDE finds that the information submitted by the school supports its claim for mitigating circumstances. The school experienced reduced NCB ADA, teacher reassignments, and expenditure postponements due to the pandemic. Additionally, the CDE finds that the school’s inability to fill its vacant teaching positions contributed towards the school’s failure to meet the expenditure requirements for full funding, which it would have otherwise met.

During its review of the school’s funding determination request, the CDE noted that the school reported total reserves of $1,229,447, or 49.32 percent of total expenditures. Pursuant to 5 *CCR* Section 11963.3(a)(5)(F), the CDE requested an explanation of the school’s plans for its excess reserves. The school stated that it plans to use its reserves for facility projects and student technology expenditures that were postponed due to supply chain issues that resulted from the pandemic. The CDE finds the school’s explanation of its excess reserves to be satisfactory.

The CDE finds that the information submitted by the school supports its claim for mitigating circumstances and its request for full funding and therefore proposes to recommend that the school receive 100 percent funding for its NCB instruction.

#### California Innovative Career Academy, Charter #2072

The CDE proposes to recommend that the SBE approve the school’s mitigating circumstances request and approve its determination of funding request at 100 percent.

Without the consideration of mitigating circumstances, the school fails to qualify for funding for its NCB instruction:

California Innovative Career Academy Nonclassroom-Based Instruction Funding

| **Criteria** | **Percentage Spent on Certificated Salaries and Benefits** | **Percentage Spent on Instruction and Related Services** | **PTR** |
| --- | --- | --- | --- |
| **0 Percent Funding** | < 35 | < 60 | NA |
| **Charter School** | 28.81 | 59.13 | 16.96 |

The following bullets summarize the school’s mitigating circumstances request. The school’s complete mitigating circumstances request is provided in Attachment 3:

* Enrollment growth
* Inability to fill teacher vacancies due to the statewide teacher shortage
* Hold harmless provision of the 2020–21 Budget Act
* Receipt of significant one-time revenues from the following:
	+ A-G Completion Improvement Grant
	+ Educator Effectiveness Block Grant
	+ Elementary and Secondary School Emergency Relief (ESSER) II
	+ ESSER III
	+ Ethnic Studies Grant
	+ Expanded Learning Opportunity (ELO) Grants
	+ Governor’s Emergency Education Relief (GEER) II
	+ Paycheck Protection Program (PPP) loan forgiveness[[2]](#footnote-2)

The CDE finds that the information submitted by the school supports its claim for mitigating circumstances. The school’s rapid enrollment growth combined with difficulty in hiring teachers and hold harmless adjustments contributed towards the school’s failure to meet the expenditure requirements for full funding, which it would have otherwise met. Additionally, the school received significant one-time revenues, which further impacted its expenditure percentages.

During its review of the school’s funding determination request, the CDE noted that the school reported total reserves of $6,075,699, or 55.25 percent of total expenditures. Pursuant to 5 *CCR* Section 11963.3(a)(5)(F), the CDE requested an explanation of the school’s plans for its excess reserves. The school stated that it plans to use its reserves to acquire additional facilities and for deficit spending on curriculum costs. The CDE finds the school’s explanation of its excess reserves to be satisfactory.

The CDE finds that the information submitted by the school supports its claim for mitigating circumstances and its request for full funding and therefore proposes to recommend that the school receive 100 percent funding for its NCB instruction.

#### Community Montessori, Charter #1947

The CDE proposes to recommend that the SBE approve the school’s mitigating circumstances request and approve its determination of funding request at 100 percent.

Without the consideration of mitigating circumstances, the school qualifies for 70 percent funding for its NCB instruction:

Community Montessori Nonclassroom-Based Instruction Funding

| **Criteria** | **Percentage Spent on Certificated Salaries and Benefits** | **Percentage Spent on Instruction and Related Services** | **PTR** |
| --- | --- | --- | --- |
| **70 Percent Funding** | ≥ 35 | ≥ 60 | NA |
| **Charter School** | 37.13 | 74.72 | 21.50 |

The following bullets summarize the school’s mitigating circumstances request. The school’s complete mitigating circumstances request is provided in Attachment 4.

* Receipt of significant one-time revenues from the following:
	+ Transfer of capitalized assets from the corporation’s closed home-office
	+ PPP loan forgiveness[[3]](#footnote-3)

The CDE finds that the information submitted by the school supports its claim for mitigating circumstances. The aforementioned one-time revenues received by the school contributed towards its failure to meet the expenditure requirements for full funding, which it would have otherwise met.

During its review of the school’s funding determination request, the CDE noted that the school reported total reserves of $3,318,034, or 39.71 percent of total expenditures. Pursuant to 5 *CCR* Section 11963.3(a)(5)(F), the CDE requested an explanation of the school’s plans for its excess reserves. The school stated that it plans to use a portion of its reserves for building improvements and that more of its reserves may be allocated for that purpose to accommodate for deferred maintenance and to allow flexibility to purchase one of the sites that the school leases if it became available for sale. The CDE finds the school’s explanation of its excess reserves to be satisfactory.

The CDE finds that the information submitted by the school supports its claim for mitigating circumstances and its request for full funding and therefore proposes to recommend that the school receive 100 percent funding for its NCB instruction.

#### Connecting Waters Charter - East Bay, Charter #1881

The CDE proposes to recommend that the SBE approve the school’s mitigating circumstances request and approve its determination of funding request at 100 percent.

Without the consideration of mitigating circumstances, the school qualifies for 85 percent funding for its NCB instruction:

Connecting Waters Charter - East Bay Nonclassroom-Based Instruction Funding

| **Criteria** | **Percentage Spent on Certificated Salaries and Benefits** | **Percentage Spent on Instruction and Related Services** | **PTR** |
| --- | --- | --- | --- |
| **85 Percent Funding** | ≥ 40 | ≥ 70 | NA |
| **Charter School** | 42.93 | 79.13 | 19.00 |

The following bullets summarize the school’s mitigating circumstances request. The school’s complete mitigating circumstances request is provided in Attachment 5.

* Receipt of significant one-time revenues from the following:
	+ A-G Completion Improvement Grant
	+ Educator Effectiveness Block Grant
	+ PPP loan forgiveness[[4]](#footnote-4)
* Inability to fill teacher vacancies due to the statewide teacher shortage

The CDE finds that the information submitted by the school supports its claim for mitigating circumstances. The receipt of one-time funding and the inability to fill teacher vacancies contributed towards the school’s failure to meet the expenditure requirements for full funding, which it would have otherwise met.

During its review of the school’s funding determination request, the CDE noted that the school reported total reserves of $4,568,112, or 101.12 percent of total expenditures. Pursuant to 5 *CCR* Section 11963.3(a)(5)(F), the CDE requested an explanation of the school’s plans for its excess reserves. The school stated that it plans to use its reserves for facility projects, which are estimated to cost between $10–12.5 million. The CDE finds the school’s explanation of its excess reserves to be satisfactory.

The CDE finds that the information submitted by the school supports its claim for mitigating circumstances and its request for full funding and therefore proposes to recommend that the school receive 100 percent funding for its NCB instruction.

#### Crossroads Charter Academy, Charter #0571

The CDE proposes to recommend that the SBE approve the school’s mitigating circumstances request and approve its determination of funding request at 100 percent.

Without the consideration of mitigating circumstances, the school qualifies for 85 percent funding for its NCB instruction:

Crossroads Charter Academy Nonclassroom-Based Instruction Funding

| **Criteria** | **Percentage Spent on Certificated Salaries and Benefits** | **Percentage Spent on Instruction and Related Services** | **PTR** |
| --- | --- | --- | --- |
| **85 Percent Funding** | ≥ 40 | ≥ 70 | NA |
| **Charter School** | 46.03 | 70.74 | 8.25 |

The following bullets summarize the school’s mitigating circumstances request. The school’s complete mitigating circumstances request is provided in Attachment 6.

* Pandemic-related travel restrictions for both student educational field trips and professional development in FY 2020–21 and FY 2021–22
* Cancelation of classes at the school site due to the pandemic, including the cancelation of material purchases, in FY 2020–21 and FY 2021–22
* Decrease in student hours at the school site due to the pandemic
* Supply chain issues and postponement of the school’s expenditures as a result of the pandemic
* Fluctuations in ADA attributed to the pandemic
* Receipt of significant one-time revenues from the following:
	+ A-G Completion Improvement Grant
	+ Educator Effectiveness Block Grant
	+ ELO Grant
	+ ESSER II
	+ ESSER III

The CDE finds that the information submitted by the school supports its claim for mitigating circumstances. Pandemic-related restrictions preventing the school from making planned expenditures and the receipt of one-time funding contributed towards the school’s failure to meet the expenditure requirements for full funding, which it would have otherwise met.

During its review of the school’s funding determination request, the CDE noted that the school reported total reserves of $1,974,280, or 90.53 percent of total expenditures. Pursuant to 5 *CCR* Section 11963.3(a)(5)(F), the CDE requested an explanation of the school’s plans for its excess reserves. The school stated that it plans to use its reserves either to acquire a new facility or renovate its current facility. The CDE finds the school’s explanation of its excess reserves to be satisfactory.

The CDE finds that the information submitted by the school supports its claim for mitigating circumstances and its request for full funding and therefore proposes to recommend that the school receive 100 percent funding for its NCB instruction.

#### Family Partnership Charter, Charter #0763

The CDE proposes to recommend that the SBE approve the school’s mitigating circumstances request and approve its determination of funding request at 85 percent.

Without the consideration of mitigating circumstances, the school qualifies for 70 percent funding for its NCB instruction, as detailed in the table below:

Family Partnership Charter Nonclassroom-Based Instruction Funding

| **Criteria** | **Percentage Spent on Certificated Salaries and Benefits** | **Percentage Spent on Instruction and Related Services** | **PTR** |
| --- | --- | --- | --- |
| **70 Percent Funding** | ≥ 35 | ≥ 60 | NA |
| **Charter School** | 40.55 | 65.71 | 25.00 |

The following bullets summarize the school’s mitigating circumstances request. The school’s complete mitigating circumstances request is provided in Attachment 7.

* Receipt of significant one-time revenues from the following:
	+ A-G Completion Improvement Grant
	+ Educator Effectiveness Block Grant
	+ ELO Grant
	+ ESSER III
	+ Special Education Learning Recovery Support
* Hold harmless provision of the 2020–21 Budget Act

The CDE finds that the information submitted by the school supports its claim for mitigating circumstances. One-time funding and hold harmless adjustments contributed towards the school’s failure to meet the expenditure requirements for full funding.

During its review of the school’s funding determination request, the CDE noted that the school reported total reserves of $2,610,115, or 64.48 percent of total expenditures. Pursuant to 5 *CCR* Section 11963.3(a)(5)(F), the CDE requested an explanation of the school’s plans for its excess reserves. The school stated that it plans to use a portion of its reserves to increase certificated and classified staff salaries and that it is in negotiations for another salary increase. As reserves are not an ongoing fund source, based on the information provided by the school, the CDE finds the use of reserves to increase staff salaries to be unsustainable. Furthermore, the school did not provide a satisfactory plan for its remaining reserves. For these reasons, the CDE finds the school’s overall explanation of its excess reserves to be unsatisfactory.

Although the school’s claim for mitigating circumstances is reasonable, the CDE finds that the information submitted by the school does not support its request for full funding. The school would have qualified for 85 percent funding, not full funding, if the one-time funding that it received were excluded. Additionally, the school did not provide a satisfactory plan for its reserves, which could have been spent on instruction and related services. Therefore, the CDE proposes to recommend that the school receive 85 percent funding for its NCB instruction.

#### Folsom Cordova K-8 Community Charter, Charter #0650

The CDE proposes to recommend that the SBE approve the school’s mitigating circumstances request and its determination of funding request at 100 percent.

Without the consideration of mitigating circumstances, the school qualifies for 85 percent funding for its NCB instruction, as detailed in the table below:

Folsom Cordova K-8 Community Charter Nonclassroom-Based Instruction Funding

| **Criteria** | **Percentage Spent on Certificated Salaries and Benefits** | **Percentage Spent on Instruction and Related Services** | **PTR** |
| --- | --- | --- | --- |
| **85 Percent Funding** | ≥ 40 | ≥ 70 | NA |
| **Charter School** | 49.17 | 73.76 | 23.00 |

The following bullets summarize the school’s mitigating circumstances request. The school’s complete mitigating circumstances request is provided in Attachment 8.

* A temporary enrollment spike attributed to the pandemic
* Receipt of significant one-time revenues from the following:
	+ Contributions from the district general fund
	+ Educator Effectiveness Block Grant
	+ ELO Grant
* Inability to fill teacher vacancies due to the statewide teacher shortage

The CDE finds that the information submitted by the school supports its claim for mitigating circumstances. The school’s increased enrollment was temporary due to the pandemic, and the school is likely to return to pre-pandemic enrollment and funding levels. The school’s one-time revenues and inability to fill teacher vacancies also contributed towards the school’s failure to meet the expenditure requirements for full funding, which it would have otherwise met.

During its review of the school’s funding determination request, the CDE noted that the school reported total reserves of $514,122, or 23.14 percent of total expenditures. Pursuant to 5 *CCR* Section 11963.3(a)(5)(F), the CDE requested an explanation of the school’s plans for its excess reserves. The school stated that it plans to use its reserves to purchase instructional materials for students and for professional development. Additionally, the school projected deficit spending in FY 2022–23. The CDE found the school’s explanation of its excess reserves to be satisfactory.

The CDE finds that the information submitted by the school supports its claim for mitigating circumstances and its request for full funding and therefore proposes to recommend that the school receive 100 percent funding for its NCB instruction.

#### Fusion Charter, Charter #1695

The CDE proposes to recommend that the SBE approve the school’s mitigating circumstances request and approve its determination of funding request at 100 percent.

Without the consideration of mitigating circumstances, the school qualifies for 85 percent funding for its NCB instruction, as detailed in the table below:

Fusion Charter Nonclassroom-Based Instruction Funding

| **Criteria** | **Percentage Spent on Certificated Salaries and Benefits** | **Percentage Spent on Instruction and Related Services** | **PTR** |
| --- | --- | --- | --- |
| **85 Percent Funding** | ≥ 40 | ≥ 70 | NA |
| **Charter School** | 57.74 | 77.84 | 9.59 |

The following bullets summarize the school’s mitigating circumstances request. The school’s complete mitigating circumstances request is provided in Attachment 9.

* Low student attendance on campus as a result of the pandemic, which reduced the amount of facility costs that the school could claim as an instructional cost
* Low ADA attributed to the pandemic, which disproportionately affected its low-income at-risk demographic and reduced revenues available to offset facility costs
* Increased facility maintenance expenses due to the pandemic (e.g., for sanitation)
* Receipt of significant one-time revenues from the A-G Access Grant

The CDE finds that the information submitted by the school supports its claim for mitigating circumstances. Reduced student hours at the school site, reduced ADA, increased facility maintenance expenses, and one-time funding contributed towards the school’s failure to meet the expenditure requirements for full funding, which it would have otherwise met.

During its review of the school’s funding determination request, the CDE noted that the school did not report total reserves greater than what is allowed pursuant to 5 *CCR* Section 11963.3(a)(5)(F).

The CDE finds that the information submitted by the school supports its claim for mitigating circumstances and its request for full funding and therefore proposes to recommend that the school receive 100 percent funding for its NCB instruction.

#### Heartwood Charter, Charter #2071

The CDE proposes to recommend that the SBE approve the school’s mitigating circumstances request and approve its determination of funding request at 100 percent.

Without the consideration of mitigating circumstances, the school qualifies for 70 percent funding for its NCB instruction, as detailed in the table below:

Heartwood Charter Nonclassroom-Based Instruction Funding

| **Criteria** | **Percentage Spent on Certificated Salaries and Benefits** | **Percentage Spent on Instruction and Related Services** | **PTR** |
| --- | --- | --- | --- |
| **70 Percent Funding** | ≥ 35 | ≥ 60 | NA |
| **Charter School** | 41.86 | 66.60 | 21.35 |

The following bullets summarize the school’s mitigating circumstances request. The school’s complete mitigating circumstances request is provided in Attachment 10:

* Hold harmless provision of the 2020–21 Budget Act
* Inability to fill teacher vacancies due to the statewide teacher shortage

The CDE finds that the information submitted by the school supports its claim for mitigating circumstances. Hold harmless adjustments and the inability to fill teacher vacancies contributed towards the school’s failure to meet the expenditure requirements for full funding, which it would have otherwise met.

During its review of the school’s funding determination request, the CDE noted that the school reported total reserves of $1,008,260, or 32.90 percent of total expenditures. Pursuant to 5 *CCR* Section 11963.3(a)(5)(F), the CDE requested an explanation of the school’s plans for its excess reserves. The school stated its plan to increase expenditures, which would reduce its reserves relative to total expenditures for future years. Specifically, the school has increased the number of teachers, instruction-related administrators, and instructional aides. Additionally, the school has increased all salaries by 15 percent in FY 2022–23. The school projects that the increase in expenditures will cause its reserves as a percentage of total expenditures to be reduced to 18 percent by the end of FY 2023–24. The school intends to have enough reserves to avoid the need to rely on financing to meet basic operational needs. The CDE finds the school’s explanation of its excess reserves to be satisfactory.

The CDE finds that the information submitted by the school supports its claim for mitigating circumstances and its request for full funding and therefore proposes to recommend that the school receive 100 percent funding for its NCB instruction.

#### Learning Works, Charter #1031

The CDE proposes to recommend that the SBE approve the school’s mitigating circumstances request and approve its determination of funding request at 85 percent.

Without the consideration of mitigating circumstances, the school qualifies for 70 percent funding for its NCB instruction, as detailed in the table below:

Learning Works Nonclassroom-Based Instruction Funding

| **Criteria** | **Percentage Spent on Certificated Salaries and Benefits** | **Percentage Spent on Instruction and Related Services** | **PTR** |
| --- | --- | --- | --- |
| **70 Percent Funding** | ≥ 35 | ≥ 60 | NA |
| **Charter School** | 35.94 | 84.71 | 24.00 |

The following bullets summarize the school’s mitigating circumstances request. The school’s complete mitigating circumstances request is provided in Attachment 11.

* Receipt of significant one-time revenues from the A-G Completion Improvement Grant
* Inability to fill teacher vacancies due to the statewide teacher shortage

The CDE finds that the information submitted by the school supports its claim for mitigating circumstances. The school’s inability to fill a full-time position and receiving A-G grant money contributed towards its failure to meet the expenditure requirements for full funding, which it would have otherwise met.

During its review of the school’s funding determination request, the CDE noted that the school reported total reserves of $1,560,031, or 52.33 percent of total expenditures. Pursuant to 5 *CCR* Section 11963.3(a)(5)(F), the CDE requested an explanation of the school’s plans for its excess reserves. The school has designated reserves for additional staffing, increase employee benefits, increase pay, upgrade vehicles to transport students, and facility costs. The school’s reserves also include one-time revenues that will be spent over multiple years. The CDE finds the school’s use of excess reserves for one-time expenses to be reasonable. However, reserves are not an ongoing fund source; based on the information provided by the school, the CDE finds the use of reserves to increase staff salaries to be unsustainable. For this reason, the CDE finds the school’s overall explanation of its excess reserves to be unsatisfactory.

Although the school’s claim for mitigating circumstances is reasonable, the CDE finds that the information submitted by the school does not support its request for full funding. The school did not provide a satisfactory plan for its excess reserves, which could have been spent on instruction and related services. Therefore, the CDE proposes to recommend that the school receive 85 percent funding for its NCB instruction.

#### Maidu Virtual Charter Academy, Charter #1976

The CDE proposes to recommend that the SBE approve the school’s mitigating circumstances request and approve its determination of funding request at 100 percent.

Without the consideration of mitigating circumstances, the school qualifies for 85 percent funding for its NCB instruction, as detailed in the table below:

Maidu Virtual Charter Academy Nonclassroom-Based Instruction Funding

| **Criteria** | **Percentage Spent on Certificated Salaries and Benefits** | **Percentage Spent on Instruction and Related Services** | **PTR** |
| --- | --- | --- | --- |
| **85 Percent Funding** | ≥ 40 | ≥ 70 | NA |
| **Charter School** | 68.20 | 78.67 | 25.00 |

The following bullets summarize the school’s mitigating circumstances request. The school’s complete mitigating circumstances request is provided in Attachment 12.

* Reduced opportunities to fund staff professional development and conferences due to the pandemic
* Inability to fill teacher vacancies due to the statewide teacher shortage

The CDE finds that the information submitted by the school supports its claim for mitigating circumstances. The school’s inability to fund staff professional development and conferences and fill teacher vacancies contributed towards its failure to meet the expenditure requirements for full funding, which it would have otherwise met.

During its review of the school’s funding determination request, the CDE noted that the school reported total reserves of $240,180, or 25.50 percent of total expenditures. Pursuant to 5 *CCR* Section 11963.3(a)(5)(F), the CDE requested an explanation of the school’s plans for its excess reserves. The school stated that it plans to purchase Internet hot spots for students and new educator laptops to support virtual teaching. Staff will also attend conferences, such as the California Charter Schools Conference and the California Charter Authorizing Professionals Conference. The school’s reserves also include one-time revenues that will be spent over multiple years. The CDE finds the school’s explanation of its excess reserves to be satisfactory.

The CDE finds that the information submitted by the school supports its claim for mitigating circumstances and its request for full funding and therefore proposes to recommend that the school receive 100 percent funding for its NCB instruction.

#### Northwest Prep Charter, Charter #0526

The CDE proposes to recommend that the SBE approve the school’s mitigating circumstances request and approve its determination of funding request at 85 percent.

Without the consideration of mitigating circumstances, the school qualifies for 70 percent funding for its NCB instruction, as detailed in the table below:

Northwest Prep Charter Nonclassroom-Based Instruction Funding

| **Criteria** | **Percentage Spent on Certificated Salaries and Benefits** | **Percentage Spent on Instruction and Related Services** | **PTR** |
| --- | --- | --- | --- |
| **70 Percent Funding** | ≥ 35 | ≥ 60 | NA |
| **Charter School** | 49.82 | 63.22 | 21.00 |

The following bullets summarize the school’s mitigating circumstances request. The school’s complete mitigating circumstances request is provided in Attachment 13.

* Expenditures not made due to pandemic-related restrictions, such as field trips for students and professional development for staff
* The school’s closure in FY 2020–21 due to the pandemic caused leftover instructional materials to be carried over to FY 2021–22, reducing expenditures
* Increased student enrollment in independent study relative to classroom-based instruction, which lowered in-person instruction-related expenditures
* Receipt of significant one-time revenues from the following:
	+ A-G Completion Improvement Grant
	+ Educator Effectiveness Block Grant
	+ ELO Grant
	+ Restricted lottery funds
* Inability to fill teacher vacancies due to the statewide teacher shortage

The CDE finds that the information submitted by the school supports its claim for mitigating circumstances. Pandemic-related restrictions, the school’s closure, increased enrollment in independent study, one-time revenues, and teacher vacancies contributed towards the school’s failure to meet the expenditure requirements for full funding.

During its review of the school’s funding determination request, the CDE noted that the school reported total reserves of $695,258, or 45.91 percent of total expenditures. Pursuant to 5 *CCR* Section 11963.3(a)(5)(F), the CDE requested an explanation of the school’s plans for its excess reserves. The school has a committed fund balance for facility projects in FY 2022–23 and board-approved raises. The CDE finds the school’s use of excess reserves for one-time expenses to be reasonable. However, reserves are not an ongoing fund source; based on the information provided by the school, the CDE finds the use of reserves to permanently increase staffing expenses and instructional funds for students to be unsustainable. Furthermore, the school did not provide a satisfactory plan for its remaining reserves. For these reasons, the CDE finds the school’s overall explanation of its excess reserves to be unsatisfactory.

Although the school’s claim for mitigating circumstances is reasonable, the CDE finds that the information submitted by the school does not support its request for full funding. If the school’s one-time revenues were excluded and the school’s estimated expenditures not made were included in the school’s funding determination calculation, the school would have qualified for 85 percent funding. Additionally, the school did not provide a satisfactory plan for its reserves, which could have been spent on instruction and related services. Finally, the school has failed to meet the expenditure requirements for full funding for its previous two determination of funding request submissions. Therefore, the CDE proposes to recommend that the school receive 85 percent funding for its NCB instruction.

#### Olive Grove Charter - Buellton, Charter #2013

The CDE proposes to recommend that the SBE approve the school’s mitigating circumstances request and approve its determination of funding request at 100 percent.

Without the consideration of mitigating circumstances, the school qualifies for 85 percent funding for its NCB instruction, as detailed in the table below:

Olive Grove Charter - Buellton Nonclassroom-Based Instruction Funding

| **Criteria** | **Percentage Spent on Certificated Salaries and Benefits** | **Percentage Spent on Instruction and Related Services** | **PTR** |
| --- | --- | --- | --- |
| **85 Percent Funding** | ≥ 40 | ≥ 70 | NA |
| **Charter School** | 53.20 | 77.62 | 17.52 |

The following bullet summarizes the school’s mitigating circumstances request. The school’s complete mitigating circumstances request is provided in Attachment 14.

* Student hours attended by the NCB pupils at the school site declined significantly due to the pandemic, decreasing the amount of facilities costs which could be considered as instructional costs

The CDE finds that the information submitted by the school supports its claim for mitigating circumstances. The school’s student hours attended by the NCB pupils at the school site declined significantly due to the pandemic and contributed towards the school’s failure to meet the expenditure requirements for full funding, which it would have otherwise met. Additionally, the school is making efforts to reduce its facility costs and increase on-site student engagement.

During its review of the school’s funding determination request, the CDE noted that the school reported total reserves of $115,352, or 21.02 percent of total expenditures. Pursuant to 5 *CCR* Section 11963.3(a)(5)(F), the CDE requested an explanation of the school’s plans for its excess reserves. The school stated that it required cash flow financing to maintain operational viability during the pandemic due to Local Control Funding Formula (LCFF) deferrals. Given that recent financial hardship, the school believes the current reserve levels are reasonable. Additionally, varying timing and reliability of payment by its district for in-lieu of property taxes revenue creates an additional layer of economic uncertainty. The school also stated that having low enrollment and lower staffing levels requires prudence to have additional reserves available to cover potential special education needs that could arise at any time. The CDE finds the school’s explanation of its excess reserves to be satisfactory.

The CDE finds that the information submitted by the school supports its claim for mitigating circumstances and its request for full funding and therefore proposes to recommend that the school receive 100 percent funding for its NCB instruction.

#### Opportunity Youth Academy, Charter #1840

The CDE proposes to recommend that the SBE approve the school’s mitigating circumstances request and approve its determination of funding request at 100 percent.

Without the consideration of mitigating circumstances, the school qualifies for 70 percent funding for its NCB instruction, as detailed in the table below:

Opportunity Youth Academy Nonclassroom-Based Instruction Funding

| **Criteria** | **Percentage Spent on Certificated Salaries and Benefits** | **Percentage Spent on Instruction and Related Services** | **PTR** |
| --- | --- | --- | --- |
| **70 Percent Funding** | ≥ 35 | ≥ 60 | NA |
| **Charter School** | 57.38 | 69.73 | 25.00 |

The following bullets summarize the school’s mitigating circumstances request. The school’s complete mitigating circumstances request is provided in Attachment 15.

* Receipt of significant one-time revenues from the following:
	+ A-G Access/Success Grant
	+ Educator Effectiveness Block Grant
	+ Learning Loss Mitigation Funding

The CDE finds that the information submitted by the school supports its claim for mitigating circumstances. One-time funding contributed towards the school’s failure to meet the expenditure requirements for full funding, which it would have otherwise met.

During its review of the school’s funding determination request, the CDE noted that the school reported total reserves of $599,545, or 11.62 percent of total expenditures. Pursuant to 5 *CCR* Section 11963.3(a)(5)(F), the CDE requested an explanation of the school’s plans for its excess reserves. The school’s reserves are comprised entirely of its one-time funds that will be spent in FY 2023–24. The CDE finds the school’s explanation of its excess reserves to be satisfactory.

The CDE finds that the information submitted by the school supports its claim for mitigating circumstances and its request for full funding and therefore proposes to recommend that the school receive 100 percent funding for its NCB instruction.

#### Pathways Academy Charter School - Adult Education, Charter #2052

The CDE proposes to recommend that the SBE approve the school’s mitigating circumstances request and approve its determination of funding request at 100 percent.

Without the consideration of mitigating circumstances, the school qualifies for 85 percent funding for its NCB instruction, as detailed in the table below:

Pathways Academy Charter School - Adult Education Nonclassroom-Based Instruction Funding

| **Criteria** | **Percentage Spent on Certificated Salaries and Benefits** | **Percentage Spent on Instruction and Related Services** | **PTR** |
| --- | --- | --- | --- |
| **85 Percent Funding** | ≥ 40 | ≥ 70 | NA |
| **Charter School** | 49.25 | 70.73 | 20.90 |

The following bullets summarize the school’s mitigating circumstances request. The school’s complete mitigating circumstances request is provided in Attachment 16.

* Hold harmless provision of the 2020–21 Budget Act
* Being a small school with less than 100 ADA[[5]](#footnote-5)

The CDE finds that the information submitted by the school supports its claim for mitigating circumstances. Hold harmless adjustments and the school’s need to build reserves to maintain a positive fund balance contributed towards the school’s failure to meet the expenditure requirements for full funding, which it would have otherwise met. Additionally, the school is likely to meet the expenditure requirements for full funding in the future as the school grows in ADA.

During its review of the school’s funding determination request, the CDE noted that the school did not report total reserves greater than what is allowed pursuant to 5 *CCR* Section 11963.3(a)(5)(F).

The CDE finds that the information submitted by the school supports its claim for mitigating circumstances and its request for full funding and therefore proposes to recommend that the school receive 100 percent funding for its NCB instruction.

#### ~~Peak Prep Pleasant Valley, Charter #2062~~

**[On April 13, 2023, at the request of Peak Prep Pleasant Valley, its request for a determination of funding was pulled from Item 02 of the April 18, 2023, Advisory Commission on Charter Schools Meeting Agenda, as indicated by the preceding strikethrough text, and in the attachment list for Attachment 17.]**

#### Pivot Charter School - San Diego II, Charter #1983

The CDE proposes to recommend that the SBE approve the school’s mitigating circumstances request and approve its determination of funding request at 100 percent.

Without the consideration of mitigating circumstances, the school qualifies for 85 percent funding for its NCB instruction, as detailed in the table below:

Pivot Charter School - San Diego II Nonclassroom-Based Instruction Funding

| **Criteria** | **Percentage Spent on Certificated Salaries and Benefits** | **Percentage Spent on Instruction and Related Services** | **PTR** |
| --- | --- | --- | --- |
| **85 Percent Funding** | ≥ 40 | ≥ 70 | NA |
| **Charter School** | 51.53 | 76.04 | 17.00 |

The following bullet summarizes the school’s mitigating circumstances request. The school’s complete mitigating circumstances request is provided in Attachment 18.

* Receipt of significant one-time revenues from the PPP loan forgiveness[[6]](#footnote-6)

The CDE finds that the information submitted by the school supports its claim for mitigating circumstances. One-time revenue from the PPP loan forgiveness contributed towards the school’s failure to meet the expenditure requirements for full funding, which it would have otherwise met.

During its review of the school’s funding determination request, the CDE noted that the school reported total reserves of $574,503, or 41.43 percent of total expenditures. Pursuant to 5 *CCR* Section 11963.3(a)(5)(F), the CDE requested an explanation of the school’s plans for its excess reserves. The school aims to maintain a healthy, liquid reserve as a safety net in the event of financial hardship stemming from state funding decreases, deferrals, and/or under-enrollment. The school has a relatively high proportion of LCFF state aid, due to in-lieu of property tax funds being fairly low, and the school's cashflow is therefore particularly vulnerable to LCFF deferrals. The CDE finds the school’s explanation of its excess reserves to be satisfactory.

The CDE finds that the information submitted by the school supports its claim for mitigating circumstances and its request for full funding and therefore proposes to recommend that the school receive 100 percent funding for its NCB instruction.

#### Pivot Charter School North Valley II, Charter #1982

The CDE proposes to recommend that the SBE approve the school’s mitigating circumstances request and approve its determination of funding request at 100 percent.

Without the consideration of mitigating circumstances, the school qualifies for 85 percent funding for its NCB instruction, as detailed in the table below:

Pivot Charter School North Valley II Nonclassroom-Based Instruction Funding

| **Criteria** | **Percentage Spent on Certificated Salaries and Benefits** | **Percentage Spent on Instruction and Related Services** | **PTR** |
| --- | --- | --- | --- |
| **85 Percent Funding** | ≥ 40 | ≥ 70 | NA |
| **Charter School** | 53.94 | 78.76 | 20.00 |

The following bullet summarizes the school’s mitigating circumstances request. The school’s complete mitigating circumstances request is provided in Attachment 19.

* Receipt of significant one-time revenues from the PPP loan forgiveness[[7]](#footnote-7)

The CDE finds that the information submitted by the school supports its claim for mitigating circumstances. One-time revenue from the PPP loan forgiveness contributed towards the school’s failure to meet the expenditure requirements for full funding, which it would have otherwise met.

During its review of the school’s funding determination request, the CDE noted that the school reported total reserves of $384,643, or 30.91 percent of total expenditures. Pursuant to 5 *CCR* Section 11963.3(a)(5)(F), the CDE requested an explanation of the school’s plans for its excess reserves. The school aims to maintain a healthy, liquid reserve as a safety net in the event of financial hardship stemming from state funding decreases, deferrals, and/or under-enrollment. The school has a relatively high proportion of LCFF state aid, due to in-lieu of property tax funds being fairly low, and the school's cashflow is therefore particularly vulnerable to LCFF deferrals. The CDE finds the school’s explanation of its excess reserves to be satisfactory.

The CDE finds that the information submitted by the school supports its claim for mitigating circumstances and its request for full funding and therefore proposes to recommend that the school receive 100 percent funding for its NCB instruction.

#### San Jose Conservation Corps Charter, Charter #0425

The CDE proposes to recommend that the SBE approve the school’s mitigating circumstances request and approve its determination of funding request at 100 percent.

Without the consideration of mitigating circumstances, the school qualifies for 85 percent funding for its NCB instruction, as detailed in table below:

San Jose Conservation Corps Charter Nonclassroom-Based Instruction Funding

| **Criteria** | **Percentage Spent on Certificated Salaries and Benefits** | **Percentage Spent on Instruction and Related Services** | **PTR** |
| --- | --- | --- | --- |
| **85 Percent Funding** | ≥ 40 | ≥ 70 | NA |
| **Charter School** | 40.97 | 70.14 | 25.00 |

The following bullets summarize the school’s mitigating circumstances request. The school’s complete mitigating circumstances request is provided in Attachment 20.

* Hold harmless provision of the 2020–21 Budget Act
* Inability to fill teacher vacancies due to the statewide teacher shortage

The CDE finds that the information submitted by the school supports its claim for mitigating circumstances. The recognition of hold harmless revenue and inability to fill teacher vacancies contributed towards the school’s failure to meet the expenditure requirements for full funding, which it would have otherwise met.

During its review of the school’s funding determination request, the CDE noted that the school reported total reserves of $1,203,887, or 58.71 percent of total expenditures. Pursuant to 5 *CCR* Section 11963.3(a)(5)(F), the CDE requested an explanation of the school’s plans for its excess reserves. The school reports that $644,739 of its reserves are fixed assets. The remaining reserves are held to help buffer for economic uncertainty and enrollment fluctuations for the small school (86 ADA) that serves a highly mobile population of adult students. The school’s board of directors is currently in the process of creating and adopting a new policy to address the excess reserves. The CDE finds the school’s explanation of its excess reserves to be satisfactory.

The CDE finds that the information submitted by the school supports its claim for mitigating circumstances and its request for full funding and therefore proposes to recommend that the school receive 100 percent funding for its NCB instruction.

#### Shasta View Academy, Charter #2065

The CDE proposes to recommend that the SBE approve the school’s mitigating circumstances request and approve its determination of funding request at 100 percent.

Without the consideration of mitigating circumstances, the school fails to qualify for funding for its NCB instruction, as detailed in the table below:

Shasta View Academy Nonclassroom-Based Instruction Funding

| **Criteria** | **Percentage Spent on Certificated Salaries and Benefits** | **Percentage Spent on Instruction and Related Services** | **PTR** |
| --- | --- | --- | --- |
| **0 Percent Funding** | < 35 | < 60 | NA |
| **Charter School** | 57.67 | 58.95 | 14.98 |

The following bullets summarize the school’s mitigating circumstances request. The school’s complete mitigating circumstances request is provided in Attachment 21.

* Receipt of significant one-time revenues from the transfer of funds from its closed sister school, New Day Academy

The CDE finds that the information submitted by the school supports its claim for mitigating circumstances. The transfer of funds from its closed sister school contributed towards the school’s failure to meet the expenditure requirements for full funding, which it would have otherwise met.

During its review of the school’s funding determination request, the CDE noted that the school reported total reserves of $3,985,027, or 74.07 percent of total expenditures. Pursuant to 5 *CCR* Section 11963.3(a)(5)(F), the CDE requested an explanation of the school’s plans for its excess reserves. The school stated that it plans to use its reserves to build a resource center and expand its Innsbruck Learning Center. The CDE finds the school’s explanation of its excess reserves to be satisfactory.

The CDE finds that the information submitted by the school supports its claim for mitigating circumstances and its request for full funding and therefore proposes to recommend that the school receive 100 percent funding for its NCB instruction.

#### South Bay Charter, Charter #1303

The CDE proposes to recommend that the SBE approve the school’s mitigating circumstances request and approve its determination of funding request at 85 percent.

Without the consideration of mitigating circumstances, the school fails to qualify for funding for its NCB instruction, as detailed in the table below:

South Bay Charter Nonclassroom-Based Instruction Funding

| **Criteria** | **Percentage Spent on Certificated Salaries and Benefits** | **Percentage Spent on Instruction and Related Services** | **PTR** |
| --- | --- | --- | --- |
| **0 Percent Funding** | < 35 | < 60 | NA |
| **Charter School** | 45.94 | 59.48 | 23.60 |

The following bullet summarizes the school’s mitigating circumstances request. The school’s complete mitigating circumstances request is provided in Attachment 22.

* Hold harmless provision of the 2020–21 Budget Act

The CDE finds that the information submitted by the school supports its claim for mitigating circumstances. The school received higher LCFF revenues than expected. If the unexpected funds were excluded, the school would have met the expenditure requirements for full funding.

During its review of the school’s funding determination request, the CDE noted that the school reported total reserves of $631,759, or 70.59 percent of total expenditures. Pursuant to 5 *CCR* Section 11963.3(a)(5)(F), the CDE requested an explanation of the school’s plans for its excess reserves. The school has plans to use its reserves to maintain elevated staffing levels for the next two to three years to support students recovering from the effects of the pandemic, purchase technology upgrades, adopt new English and math curriculums, and implement additional staff training for FY 2022–23 and the next two years. The CDE finds the school’s explanation of its excess reserves to be satisfactory.

Although the school’s claim for mitigating circumstances is reasonable, the CDE finds that the information submitted by the school does not support its request for 100 percent funding. The school projects that it will only meet the expenditure requirements for 85 percent funding in FY 2022–23 with significantly fewer revenues than the prior year. Therefore, the CDE proposes to recommend that the school receive 85 percent funding for its NCB instruction.

#### South Sutter Charter, Charter #0724

The CDE proposes to recommend that the SBE approve the school’s mitigating circumstances request and approve its determination of funding request at 85 percent.

Without the consideration of mitigating circumstances, the school qualifies for 70 percent funding for its NCB instruction, as detailed in the table below:

South Sutter Charter Nonclassroom-Based Instruction Funding

| **Criteria** | **Percentage Spent on Certificated Salaries and Benefits** | **Percentage Spent on Instruction and Related Services** | **PTR** |
| --- | --- | --- | --- |
| **70 Percent Funding** | ≥ 35 | ≥ 60 | NA |
| **Charter School** | 40.02 | 69.99 | 21.83 |

The following bullets summarize the school’s mitigating circumstances request. The school’s complete mitigating circumstances request is provided in Attachment 23.

* Receipt of significant one-time revenues from the following:
	+ Educator Effectiveness Block Grant
	+ ESSER
* Inability to fill teacher vacancies due to the statewide teacher shortage

The CDE finds that the information submitted by the school supports its claim for mitigating circumstances. One-time funding and the inability to fill teacher vacancies contributed towards the school’s failure to meet the expenditure requirements for full funding, which it would have otherwise met.

During its review of the school’s funding determination request, the CDE noted that the school reported total reserves of $23,119,365, or 84.31 percent of total expenditures. Pursuant to 5 *CCR* Section 11963.3(a)(5)(F), the CDE requested an explanation of the school’s plans for its excess reserves. The school stated that it plans to increase salaries costs for all certificated and classified staff and expand services. Additionally, the school will increase instructional funds for students. The school also stated that its reserves are the cumulative result from incremental operational balances carried forward over the last 15 years and that it is fiscally sound to maintain three months’ reserves of cash ($8 million). The school anticipates operational deficits of $600,000 annually for the next few years. Reserves are not an ongoing fund source; based on the information provided by the school, the CDE finds the use of reserves to increase staff salaries to be unsustainable. Furthermore, the school did not provide a satisfactory plan for its remaining reserves. For these reasons, the CDE finds the school’s overall explanation of its excess reserves to be unsatisfactory.

Although the school’s claim for mitigating circumstances is reasonable, the CDE finds that the information submitted by the school does not support its request for 100 percent funding. The school did not provide a satisfactory plan for its reserves, which could have been spent on instruction and related services. Therefore, the CDE proposes to recommend that the school receive 85 percent funding for its NCB instruction.

#### Taylion High Desert Academy/Adelanto, Charter #1520

The CDE proposes to recommend that the SBE approve the school’s mitigating circumstances request and approve its determination of funding request at 70 percent.

Without the consideration of mitigating circumstances, the school fails to qualify for funding for its NCB instruction, as detailed in the table below:

Taylion High Desert Academy/Adelanto Nonclassroom-Based Instruction Funding

| **Criteria** | **Percentage Spent on Certificated Salaries and Benefits** | **Percentage Spent on Instruction and Related Services** | **PTR** |
| --- | --- | --- | --- |
| **0 Percent Funding** | < 35 | < 60 | NA |
| **Charter School** | 34.64 | 80.13 | 14.31 |

The following bullets summarize the school’s mitigating circumstances request. The school’s complete mitigating circumstances request is provided in Attachment 24.

* Enrollment growth
* Inability to fill teacher vacancies due to the statewide teacher shortage
* Low participation from eligible staff for the retirement plan and health benefits

The CDE finds that the information submitted by the school supports its claim for mitigating circumstances. The school’s rapid growth combined with difficulty in hiring teachers and low participation from eligible staff for the retirement plan and health benefits contributed towards the school’s failure to meet the expenditure requirement for certificated salaries and benefits.

During its review of the school’s funding determination request, the CDE noted that the school reported total reserves of $2,242,173, or 62.17 percent of total expenditures. Pursuant to 5 *CCR* Section 11963.3(a)(5)(F), the CDE requested an explanation of the school’s plans for its excess reserves. The total reserves were comprised of $1,227,310 in liquid cash and $1,904,661 in receivables. The school projected monthly expenditures of $571,301 in July 2022 and $780,615 in August of 2022, which would have left the school with two months of cash on hand, when it aims to have three months of cash. In consideration of the school’s large enrollment growth from one year to the next, the school believed it was fiscally prudent to ensure ample reserves were maintained to allow for that growth as well as to pay all current and incoming staff. The CDE finds the school’s explanation of its excess reserves to be satisfactory.

Although the school’s claim for mitigating circumstances is reasonable, the CDE finds that the information submitted by the school does not support its request for full funding. The school would have qualified for 70 percent funding, not full funding, if it had been able to fill its teacher vacancies. Additionally, the CDE notes that the school has demonstrated a history of failing to meet the expenditure requirements for its requested level of funding. Therefore, the CDE proposes to recommend that the school receive 70 percent funding for its NCB instruction.

#### Tehama eLearning Academy, Charter #0430

The CDE proposes to recommend that the SBE approve the school’s mitigating circumstances request and approve its determination of funding request at 85 percent.

Without the consideration of mitigating circumstances, the school qualifies for 70 percent funding for its NCB instruction, as detailed in the table below:

Tehama eLearning Academy Nonclassroom-Based Instruction Funding

| **Criteria** | **Percentage Spent on Certificated Salaries and Benefits** | **Percentage Spent on Instruction and Related Services** | **PTR** |
| --- | --- | --- | --- |
| **70 Percent Funding** | ≥ 35 | ≥ 60 | NA |
| **Charter School** | 39.45 | 68.03 | 22.89 |

The following bullets summarize the school’s mitigating circumstances request. The school’s complete mitigating circumstances request is provided in Attachment 25.

* Pandemic-related restrictions limited expenditures on travel for professional development and student field trips; community events for students and their families; and on-site engagement activities
* Inability to fill teacher vacancies due to the statewide teacher shortage

The CDE finds that the information submitted by the school supports its claim for mitigating circumstances. Pandemic-related restrictions and vacancies caused the school’s expenditures to be lower than expected and contributed towards its failure to meet the expenditure requirements for full funding.

During its review of the school’s funding determination request, the CDE noted that the school reported total reserves of $2,427,897, or 161.30 percent of total expenditures. Pursuant to 5 *CCR* Section 11963.3(a)(5)(F), the CDE requested an explanation of the school’s plans for its excess reserves. The school stated it will spend $658,794 of its reserves as follows: the school will increase the FTE for the site principal from 0.80 to 1.00, fill vacancies, increase salaries, provide one-time off schedule payment to staff, update its CTE curriculum, purchase transportation for students, enhance technology, provide additional services for students, increase allocation of direct Special Education services, and support student career exploration. The CDE finds the school’s use of excess reserves for one-time expenses to be reasonable. However, reserves are not an ongoing fund source; based on the information provided by the school, the CDE finds the use of reserves to permanently increase staffing expenses and instructional funds for students to be unsustainable. Furthermore, the school did not provide a satisfactory plan for its remaining reserves. For these reasons, the CDE finds the school’s overall explanation of its excess reserves to be unsatisfactory.

Although the school’s claim for mitigating circumstances is reasonable, the CDE finds that the information submitted by the school does not support its request for full funding. Had the aforementioned expenditures been made and teacher vacancies filled, the school would have only qualified for 85 percent funding. Additionally, the school did not provide a satisfactory plan for its reserves, which could have been spent on instruction and related services. Therefore, the CDE proposes to recommend that the school receive 85 percent funding for its NCB instruction.

#### Tracy Independent Study Charter, Charter #2090

The CDE proposes to recommend that the SBE approve the school’s mitigating circumstances request and approve its determination of funding request at 100 percent.

Without the consideration of mitigating circumstances, the school qualifies for 70 percent funding for its NCB instruction, as detailed in the table below:

Tracy Independent Study Charter Nonclassroom-Based Instruction Funding

| **Criteria** | **Percentage Spent on Certificated Salaries and Benefits** | **Percentage Spent on Instruction and Related Services** | **PTR** |
| --- | --- | --- | --- |
| **70 Percent Funding** | ≥ 35 | ≥ 60 | NA |
| **Charter School** | 45.21 | 66.11 | 21.00 |

The following bullet summarizes the school’s mitigating circumstances request. The school’s complete mitigating circumstances request is provided in Attachment 26.

* Having incorrectly charged $665,542 of expenditures to its authorizer, Tracy Joint Unified School District, rather than the school. Of this amount, $424,433 were instruction and related services expenses.

The CDE finds that the information submitted by the school supports its claim for mitigating circumstances. The school’s failure to meet the expenditure requirements for full funding is a result of errors in accounting and is not a reflection of the school’s failure to spend funds on instruction and related services. Had expenses been correctly charged to the school, it would have met the expenditure requirements for full funding. Additionally, the school has stated that it will pay back the district in FY 2022–23 for the incorrectly charged expenses.

During its review of the school’s funding determination request, the CDE noted that the school reported total reserves of $846,417, or 40.87 percent of total expenditures. Pursuant to 5 *CCR* Section 11963.3(a)(5)(F), the CDE requested an explanation of the school’s plans for its excess reserves. The school ordered furnishings and renovations totaling $296,161 that were anticipated to be paid in FY 2021–22, but due to supply chain issues, the products and renovations were completed late and the expenses were not made until FY 2022–23. Additionally, the school stated it was conservative in spending down its reserves due to enrollment uncertainty coming out of the pandemic. As an independent study school, it was unsure if enrollment would drop significantly after pandemic concerns lessened in the community. The school wanted to be prepared to face staffing costs even in the event that it lost enrollment mid-year and became overstaffed. The school stated that enrollment has remained stable, so it plans to invest significantly in on-site and virtual mental health services and facility needs for other in-person services. The CDE finds the school’s explanation of its excess reserves to be satisfactory.

The CDE finds that the information submitted by the school supports its claim for mitigating circumstances and its request for full funding and therefore proposes to recommend that the school receive 100 percent funding for its NCB instruction.

#### Valley Oak Charter, Charter #0501

The CDE proposes to recommend that the SBE approve the school’s mitigating circumstances request and approve its determination of funding request at 100 percent.

Without the consideration of mitigating circumstances, the school qualifies for 85 percent funding for its NCB instruction, as detailed in the table below:

Valley Oak Charter Nonclassroom-Based Instruction Funding

| **Criteria** | **Percentage Spent on Certificated Salaries and Benefits** | **Percentage Spent on Instruction and Related Services** | **PTR** |
| --- | --- | --- | --- |
| **85 Percent Funding** | ≥ 40 | ≥ 70 | NA |
| **Charter School** | 60.22 | 71.59 | 12.53 |

The following bullets summarize the school’s mitigating circumstances request. The school’s complete mitigating circumstances request is provided in Attachment 27.

* The school’s closure due to the pandemic resulted in students’ inability to utilize on-site services
* Spending a significant amount of its revenues to secure a 4.5-acre property
* Being a small school with less than 100 ADA[[8]](#footnote-8)

The CDE finds that the information submitted by the school supports its claim for mitigating circumstances. The school is currently spending a significant amount of its revenues on its facility which will end when it is paid off within the next two years. The school’s closure also contributed towards its failure to meet the expenditure requirements for full funding. Additionally, the CDE acknowledges that the school’s charter limits the school’s enrollment to 75, making it difficult to meet the expenditure requirements for full funding.

During its review of the school’s funding determination request, the CDE noted that the school reported total reserves of $1,000,171, or 139.12 percent of total expenditures. Pursuant to 5 *CCR* Section 11963.3(a)(5)(F), the CDE requested an explanation of the school’s plans for its excess reserves. The majority of the school’s reserves ($680,378) represents depreciation of the school's building. The remaining amount largely represents one-time funds that will be spent in future years and reserves held to address possible deficit spending tied to future declining enrollment. The CDE finds the school’s explanation of its excess reserves to be satisfactory.

The CDE finds that the information submitted by the school supports its claim for mitigating circumstances and its request for full funding and therefore proposes to recommend that the school receive 100 percent funding for its NCB instruction.

#### West Park Charter Academy, Charter #0044

The CDE proposes to recommend that the SBE approve the school’s mitigating circumstances request and approve its determination of funding request at 85 percent.

Without the consideration of mitigating circumstances, the school qualifies for 70 percent funding for its NCB instruction, as detailed in the table below:

West Park Charter Academy Nonclassroom-Based Instruction Funding

| **Criteria** | **Percentage Spent on Certificated Salaries and Benefits** | **Percentage Spent on Instruction and Related Services** | **PTR** |
| --- | --- | --- | --- |
| **70 Percent Funding** | ≥ 35 | ≥ 60 | NA |
| **Charter School** | 42.01 | 61.61 | 25.00 |

The following bullets summarize the school’s mitigating circumstances request. The school’s complete mitigating circumstances request is provided in Attachment 28.

* Inability to fill teacher vacancies due to the statewide teacher shortage
* Receipt of significant one-time revenues from the following:
	+ A-G Access/Success Grant
	+ A-G Learning Loss Mitigation Grant
	+ Educator Effectiveness Block Grant
	+ ELO Grant

The CDE finds that the information submitted by the school supports its claim for mitigating circumstances. The school’s inability to fill its vacant teaching positions and the receipt of one-time revenues contributed towards the school’s failure to meet the expenditure requirements for full funding.

During its review of the school’s funding determination request, the CDE noted that the school reported total reserves of $4,040,384, or 135.17 percent of total expenditures. Pursuant to 5 *CCR* Section 11963.3(a)(5)(F), the CDE requested additional information of the school regarding its excess reserves. The school stated that it plans to spend its reserves by hiring four additional teachers, an academic counselor, a reading specialist, and additional tutors, and providing additional tutoring for students during winter and summer break. The school also stated that its reserves have been used to purchase curriculum and supplemental materials, as needed, and that the school will continue to review its needs. The CDE finds the school’s use of excess reserves for one-time expenses to be reasonable. However, reserves are not an ongoing fund source; based on the information provided by the school, the CDE finds the use of reserves to permanently increase staffing expenses and instructional funds for students to be unsustainable. Furthermore, the school did not provide a satisfactory plan for its remaining reserves. For these reasons, the CDE finds the school’s overall explanation of its excess reserves to be unsatisfactory.

Although the school’s claim for mitigating circumstances is reasonable, the CDE finds that the information submitted by the school does not support its request for full funding. Even if all vacancies were filled, the school would have only qualified for 85 percent funding. Additionally, the school did not provide a satisfactory plan for its reserves, which could have been spent on instruction and related services. Therefore, the CDE proposes to recommend that the school receive 85 percent funding for its NCB instruction.

### Proposed Recommendations for Denial

The CDE does not find a reasonable basis for the following schools to be funded at a higher level of funding. Therefore, the CDE proposes to recommend that the SBE deny the schools’ mitigating circumstances requests and approve their determination of funding requests as specified below and in Attachment 1.

#### Castle Rock, Charter #0358

The CDE proposes to recommend that the SBE deny the school’s mitigating circumstances request and approve its determination of funding request at 85 percent, which is the level of funding for which the school qualifies without the consideration of mitigating circumstances:

Castle Rock Nonclassroom-Based Instruction Funding

| **Criteria** | **Percentage Spent on Certificated Salaries and Benefits** | **Percentage Spent on Instruction and Related Services** | **PTR** |
| --- | --- | --- | --- |
| **85 Percent Funding** | ≥ 40 | ≥ 70 | NA |
| **Charter School** | 44.05 | 76.98 | 22.00 |

The following bullet summarizes the school’s mitigating circumstances request. The school’s complete mitigating circumstances request is provided in Attachment 29.

* Receipt of $1,703,554 in Education Protection Account funding

The CDE finds that the information submitted by the school does not support its claim for mitigating circumstances. While the school stated that it received increased Education Protection Account funding, which is an LCFF resource, this would not have increased the school’s total LCFF resources for the year as the school’s LCFF State Aid would be reduced in response to higher Education Protection Account funding.

During its review of the school’s funding determination request, the CDE noted that the school reported total reserves of $1,947,250, or 48.69 percent of total expenditures. Pursuant to 5 *CCR* Section 11963.3(a)(5)(F), the CDE requested an explanation of the school’s plans for its excess reserves. The school stated that it plans to increase in-person tutorials at students’ households, increase certificated staff wages, increase travel expenses for professional development, and fill teacher vacancies. The CDE finds the school’s use of excess reserves for one-time expenses to be reasonable. However, reserves are not an ongoing fund source; based on the information provided by the school, the CDE finds the use of reserves to permanently increase staffing expenses and instructional funds for students to be unsustainable. Furthermore, the school did not provide a satisfactory plan for its remaining reserves. For these reasons, the CDE finds the school’s overall explanation of its excess reserves to be unsatisfactory.

The CDE finds that the school did not provide a reasonable basis for the CDE to make a recommendation other than one that results from the expenditure criteria outlined in 5 *CCR* and that the information submitted by the school does not support its request for 100 percent funding. Additionally, the school did not provide a satisfactory plan for its reserves, which could have been spent on instruction and related services. Therefore, the CDE proposes to recommend that the school receive 85 percent funding, the level of funding for which it qualifies, for its NCB instruction.

#### Chawanakee Academy Charter, Charter #1763

The CDE proposes to recommend that the SBE deny the school’s mitigating circumstances request and approve its determination of funding request at 70 percent which is the level of funding for which the school qualifies without the consideration of mitigating circumstances:

Chawanakee Academy Charter Nonclassroom-Based Instruction Funding

| **Criteria** | **Percentage Spent on Certificated Salaries and Benefits** | **Percentage Spent on Instruction and Related Services** | **PTR** |
| --- | --- | --- | --- |
| **70 Percent Funding** | ≥ 35 | ≥ 60 | NA |
| **Charter School** | 39.08 | 62.70 | 24.00 |

The following bullet summarizes the school’s mitigating circumstances request. The school’s complete mitigating circumstances request is provided in Attachment 30.

* Its salary schedules and benefits packages for certificated and classified staff were not competitive with surrounding areas

The CDE finds that the information submitted by the school does not support its claim for mitigating circumstances. Additionally, the CDE notes that the school shares a governing board with its charter authorizer, Chawanakee Unified School District. Chawanakee Unified School District received an audit finding stating that district expenses for teacher salaries were 47.97 percent of total educational expenses when it is required to be 55 percent.

During its review of the school’s funding determination request, the CDE noted that the school reported total reserves of $2,516,763, or 91.09 percent of total expenditures. Pursuant to 5 *CCR* Section 11963.3(a)(5)(F), the CDE requested additional information of the school regarding its excess reserves. The school has reserved $1,197,852 to purchase or lease a building to accommodate its projected growth rate of about 10 percent every year. The CDE finds the school’s explanation of its excess reserves to be satisfactory.

The CDE finds that the school did not provide a reasonable basis for the CDE to make a recommendation other than one that results from the expenditure criteria outlined in 5 *CCR* and that the information submitted by the school does not support its request for 100 percent funding. Therefore, the CDE proposes to recommend that the school receive 70 percent funding, the level of funding for which it qualifies, for its NCB instruction.

#### Excel Academy Charter, Charter #2073

The CDE proposes to recommend that the SBE deny the school’s mitigating circumstances request and approve its determination of funding request at 85 percent, which is the level of funding for which the school qualifies without the consideration of mitigating circumstances:

Excel Academy Charter Nonclassroom-Based Instruction Funding

| **Criteria** | **Percentage Spent on Certificated Salaries and Benefits** | **Percentage Spent on Instruction and Related Services** | **PTR** |
| --- | --- | --- | --- |
| **85 Percent Funding** | ≥ 40 | ≥ 70 | NA |
| **Charter School** | 45.57 | 77.16 | 19.05 |

The following bullet summarizes the school’s mitigating circumstances request. The school’s complete mitigating circumstances request is provided in Attachment 31.

* Receipt of significant one-time revenue from the PPP loan forgiveness[[9]](#footnote-9)

The CDE finds that the information submitted by the school would support its claim for mitigating circumstances. However, during its review of the school’s funding determination request, the CDE noted that the school reported total reserves of $1,936,893, or 30.98 percent of total expenditures. Pursuant to 5 *CCR* Section 11963.3(a)(5)(F), the CDE requested an explanation of the school’s plans for its excess reserves. The school stated that it plans to use its reserves to increase salaries for teachers and support staff and provide them an off-salary bonus and to increase annual instructional funds to its students. The school has also hired an occupational therapist. The CDE finds the school’s use of excess reserves for one-time expenses to be reasonable. However, reserves are not an ongoing fund source; based on the information provided by the school, the CDE finds the use of reserves to permanently increase staffing expenses and instructional funds for students to be unsustainable. Furthermore, the school did not provide a satisfactory plan for its remaining reserves. For these reasons, the CDE finds the school’s overall explanation of its excess reserves to be unsatisfactory.

The CDE finds that the information submitted by the school does not support its request for 100 percent funding. The school did not provide a satisfactory plan for its reserves, which could have been spent on instruction and related services. Therefore, the CDE proposes to recommend that the school receive 85 percent funding, the level of funding for which it qualifies, for its NCB instruction.

#### La Vida Charter, Charter #0822

The CDE proposes to recommend that the SBE deny the school’s mitigating circumstances request and approve its determination of funding request at 85, which is the level of funding for which the school qualifies without the consideration of mitigating circumstances:

La Vida Charter Nonclassroom-Based Instruction Funding

| **Criteria** | **Percentage Spent on Certificated Salaries and Benefits** | **Percentage Spent on Instruction and Related Services** | **PTR** |
| --- | --- | --- | --- |
| **85 Percent Funding** | ≥ 40 | ≥ 70 | NA |
| **Charter School** | 40.47 | 70.60 | 12.00 |

The following bullets summarize the school’s mitigating circumstances request. The school’s complete mitigating circumstances request is provided in Attachment 32.

* Administrative classified costs were higher than usual
* Unexpectedly high legal costs resulting from the school’s first ever special education due process complaint and settlement in 21 years
* Inability to fill teacher vacancies due to the statewide teacher shortage
* Being a small school with less than 100 ADA[[10]](#footnote-10)

The CDE finds that the information submitted by the school does not support its claim for mitigating circumstances. While the CDE acknowledges that the school had higher administrative costs than usual, that it was unable to fill teacher vacancies, and that it is a small school with less than 100 ADA, the CDE does not find unexpectedly high legal costs to be a reasonable circumstance by which to recommend a higher level of funding.

During its review of the school’s funding determination request, the CDE noted that the school reported total reserves of $373,188, or 34.05 percent of total expenditures. Pursuant to 5 *CCR* Section 11963.3(a)(5)(F), the CDE requested an explanation of the school’s plans for its excess reserves. The school stated that amount includes reserves to offset potential declining enrollment and potential continued legal fees, reserves required by the charter authorizer, restricted revenue fund balance, a potential 3 percent increase above COLA for certificated salaries, a balance for the board non-profit corporation account to support school emergencies and bonuses ($37,821), and an unassigned balance. The CDE finds the school’s explanation of its excess reserves to be satisfactory.

The CDE finds that the school did not provide a reasonable basis for the CDE to make a recommendation other than one that results from the expenditure criteria outlined in 5 *CCR* and that the information submitted by the school does not support its request for 100 percent funding. Therefore, the CDE proposes to recommend that the school receive 85 percent funding, the level of funding for which it qualifies, for its NCB instruction.

#### Liberty Independent Study, Charter #2102

The CDE proposes to recommend that the SBE deny the school’s mitigating circumstances request and approve its determination of funding request at 85 percent, which is the level of funding for which the school qualifies without the consideration of mitigating circumstances:

Liberty Independent Study Nonclassroom-Based Instruction Funding

| **Criteria** | **Percentage Spent on Certificated Salaries and Benefits** | **Percentage Spent on Instruction and Related Services** | **PTR** |
| --- | --- | --- | --- |
| **85 Percent Funding** | ≥ 40 | ≥ 70 | NA |
| **Charter School** | 137.32 | 78.25 | 1.82 |

The following bullet summarizes the school’s mitigating circumstances request. The school’s complete mitigating circumstances request is provided in Attachment 33.

* Lower enrollment and ADA compared to its first year of operation, which in turn decreased expenditures

The CDE finds that the information submitted by the school does not support its claim for mitigating circumstances. The CDE notes that for its first year of operation in FY 2020–21, the school reported an ADA of 32.50, compared to an ADA of 1.82 in FY 2021–22. Additionally, the school has not provided a satisfactory plan to meet expenditure requirements for full funding in future years. Furthermore, the school projects reporting less than one ADA in FY 2022–23, which would be a failure to meet its own ADA threshold to meet the expenditure requirements for full funding.

During its review of the school’s funding determination request, the CDE noted that the school reported total reserves of $67,541, or 47.30 percent of total expenditures. Pursuant to 5 *CCR* Section 11963.3(a)(5)(F), the CDE requested an explanation of the school’s plans for its excess reserves. The school’s reserves consist of reserves designated for economic uncertainties and restricted funds. The CDE finds the school’s explanation of its excess reserves to be satisfactory.

The CDE finds that the school did not provide a reasonable basis for the CDE to make a recommendation other than one that results from the expenditure criteria outlined in 5 *CCR* and that the information submitted by the school does not support its request for 100 percent funding. Therefore, the CDE proposes to recommend that the school receive 85 percent funding, the level of funding for which it qualifies, for its NCB instruction.

#### Motivated Youth Academy, Charter #1628

The CDE proposes to recommend that the SBE deny the school’s mitigating circumstances request and approve its determination of funding request at 85 percent, which is the level of funding for which the school qualifies without the consideration of mitigating circumstances:

Motivated Youth Academy Nonclassroom-Based Instruction Funding

| **Criteria** | **Percentage Spent on Certificated Salaries and Benefits** | **Percentage Spent on Instruction and Related Services** | **PTR** |
| --- | --- | --- | --- |
| **85 Percent Funding** | ≥ 40 | ≥ 70 | NA |
| **Charter School** | 43.42 | 70.14 | 20.30 |

The following bullets summarize the school’s mitigating circumstances request. The school’s complete mitigating circumstances request is provided in Attachment 34.

* Hold harmless provision of the 2020–21 Budget Act
* Challenges regarding its financial back-office providers

The CDE finds that the information submitted by the school does not support its claim for mitigating circumstances. The CDE acknowledges that the school may not have received funding that reflected its growing enrollment in FY 2020–21 due to the hold harmless provision. However, in its mitigating circumstances request, the school stated that it had three different financial back-office providers in the last three years and that its back-office provider during FY 2021–22 did not understand the importance of meeting the expenditure requirements. The CDE does not find the failure to understand the regulatory spending requirements to be a reasonable circumstance by which to recommend a higher level of funding.

During its review of the school’s funding determination request, the CDE noted that the school reported total reserves of $1,117,500, or 50.56 percent of total expenditures. Pursuant to 5 *CCR* Section 11963.3(a)(5)(F), the CDE requested an explanation of the school’s plans for its excess reserves. The school stated that while its reserves appear to be large based on its current ADA, the school seeks to grow from 178.4 P-2 ADA in FY 2021–22 to over 500 ADA in the future, which would make the school’s $1,117,500 in reserves relatively smaller. The school also would like high reserves to prepare for the possibility of an upcoming recession and deferrals. The school partially attributes its high reserves to the mismanagement by the prior back-office financial advisor and stated it will develop a plan for its reserves during FY 2022–23. The CDE finds the school’s explanation of its excess reserves to be unsatisfactory.

The CDE finds that the school did not provide a reasonable basis for the CDE to make a recommendation other than one that results from the expenditure criteria outlined in 5 *CCR* and that the information submitted by the school does not support its request for 100 percent funding. Additionally, the school did not provide a satisfactory plan for its reserves, which could have been spent on instruction and related services. Therefore, the CDE proposes to recommend that the school receive 85 percent funding, the level of funding for which it qualifies, for its NCB instruction.

#### Santa Cruz County Career Advancement Charter, Charter #1904

The CDE proposes to recommend that the SBE deny the school’s mitigating circumstances request and approve its determination of funding request at 70 percent, which is the level of funding for which the school qualifies without the consideration of mitigating circumstances:

Santa Cruz County Career Advancement Charter Nonclassroom-Based Instruction Funding

| **Criteria** | **Percentage Spent on Certificated Salaries and Benefits** | **Percentage Spent on Instruction and Related Services** | **PTR** |
| --- | --- | --- | --- |
| **70 Percent Funding** | ≥ 35 | ≥ 60 | NA |
| **Charter School** | 54.93 | 66.10 | 23.28 |

The following bullets summarize the school’s mitigating circumstances request. The school’s complete mitigating circumstances request is provided in Attachment 35.

* Deciding to spend conservatively and electing not to add new FTE positions that could be subject to reduction or layoff during the pandemic if a decrease in ADA or funding were realized
* Being a newer charter school having opened in FY 2017–18

The CDE finds that the information submitted by the school does not support its claim for mitigating circumstances. While the CDE acknowledges that the school budgeted conservatively during the pandemic, the CDE does not find the school’s opening in FY 2017–18 to be a reasonable circumstance by which to recommend a higher level of funding.

During its review of the school’s funding determination request, the CDE noted that the school reported total reserves of $803,472, or 50.67 percent of total expenditures. Pursuant to 5 *CCR* Section 11963.3(a)(5)(F), the CDE requested additional information of the school regarding its excess reserves. The school stated that its reserves are intended to be spent on hiring new instructional positions, increasing instructional expenses for English as a Second Language curriculum, and including an on-site childcare option. The CDE finds the school’s use of excess reserves for one-time expenses to be reasonable. However, reserves are not an ongoing fund source; based on the information provided by the school, the CDE finds the use of reserves to permanently increase staffing expenses and instructional funds for students to be unsustainable. For this reason, the CDE finds the school’s overall explanation of its excess reserves to be unsatisfactory.

The CDE finds that the school did not provide a reasonable basis for the CDE to make a recommendation other than one that results from the expenditure criteria outlined in 5 *CCR* and that the information submitted by the school does not support its request for 100 percent funding. Additionally, the school did not provide a satisfactory plan for its reserves, which could have been spent on instruction and related services. Furthermore, the school has demonstrated a history of failing to meet the expenditure requirements for full funding and does not foresee meeting them in FY 2022–23. Therefore, the CDE proposes to recommend that the school receive 70 percent funding, the level of funding for which it qualifies, for its NCB instruction.

#### Sky Mountain Charter, Charter #0905

The CDE proposes to recommend that the SBE deny the school’s mitigating circumstances request and approve its determination of funding request at 85 percent, which is the level of funding for which the school qualifies without the consideration of mitigating circumstances:

Sky Mountain Charter Nonclassroom-Based Instruction Funding

| **Criteria** | **Percentage Spent on Certificated Salaries and Benefits** | **Percentage Spent on Instruction and Related Services** | **PTR** |
| --- | --- | --- | --- |
| **85 Percent Funding** | ≥ 40 | ≥ 70 | NA |
| **Charter School** | 43.01 | 72.45 | 22.07 |

The following bullets summarize the school’s mitigating circumstances request. The school’s complete mitigating circumstances request is provided in Attachment 36.

* Inability to fill teacher vacancies due to the statewide teacher shortage
* Administrative staff vacancies
* Receipt of significant one-time revenues from the following:
	+ Educator Effectiveness Block Grant
	+ ESSER I
	+ ESSER II

The CDE finds that the information submitted by the school would support its claim for mitigating circumstances. However, during its review of the school’s funding determination request, the CDE noted that the school reported total reserves of $16,484,208, or 73.60 percent of total expenditures. Pursuant to 5 *CCR* Section 11963.3(a)(5)(F), the CDE requested an explanation of the school’s plans for its excess reserves. The school has increased salaries for all certificated and classified staff and expand services and has also increased spending on instructional supplies and materials for students. The school expects operating deficits of roughly $200,000 to $400,000 annually over the next three years that will result in reductions of its fund balance, outside of the one-time funding spend down. Reserves are not an ongoing fund source; based on the information provided by the school, the CDE finds the use of reserves to permanently increase staffing expenses and instructional funds for students to be unsustainable. Furthermore, the school did not provide a satisfactory plan for its remaining reserves. For these reasons, the CDE finds the school’s overall explanation of its excess reserves to be unsatisfactory.

The CDE finds that the school did not provide a reasonable basis for the CDE to make a recommendation other than one that results from the expenditure criteria outlined in 5 *CCR* and that the information submitted by the school does not support its request for 100 percent funding. The school did not provide a satisfactory plan for its reserves, which could have been spent on instruction and related services. Therefore, the CDE proposes to recommend that the school receive 85 percent funding, the level of funding for which it qualifies, for its NCB instruction.

## Attachments

* **Attachment 1:** Proposed Recommendations for Nonclassroom-Based Determinations of Funding with Mitigating Circumstances (2 Pages)
* **Attachment 2:** Determination of Funding Request for Butterfield Charter, Charter #0867 (12 Pages)
* **Attachment 3:** Determination of Funding Request for California Innovative Career Academy, Charter #2072 (14 Pages)
* **Attachment 4:** Determination of Funding Request for Community Montessori, Charter #1947 (10 Pages)
* **Attachment 5:** Determination of Funding Request for Connecting Waters Charter - East Bay, Charter #1881 (9 Pages)
* **Attachment 6:** Determination of Funding Request for Crossroads Charter Academy, Charter #0571 (13 Pages)
* **Attachment 7:** Determination of Funding Request for Family Partnership Charter, Charter #0763 (9 Pages)
* **Attachment 8:** Determination of Funding Request for Folsom Cordova K-8 Community Charter, Charter #0650 (12 Pages)
* **Attachment 9:** Determination of Funding Request for Fusion Charter, Charter #1695 (9 Pages)
* **Attachment 10:** Determination of Funding Request for Heartwood Charter, Charter #2071 (12 Pages)
* **Attachment 11:** Determination of Funding Request for Learning Works, Charter #1031 (11 Pages)
* **Attachment 12:** Determination of Funding Request for Maidu Virtual Charter Academy, Charter #1976 (9 Pages)
* **Attachment 13:** Determination of Funding Request for Northwest Prep Charter, Charter #0526 (9 Pages)
* **Attachment 14:** Determination of Funding Request for Olive Grove Charter - Buellton, Charter #2013 (9 Pages)
* **Attachment 15:** Determination of Funding Request for Opportunity Youth Academy, Charter #1840 (9 Pages)
* **Attachment 16:** Determination of Funding Request for Pathways Academy Charter School - Adult Education, Charter #2052 (11 Pages)
* **~~Attachment 17:~~** ~~Determination of Funding Request for Peak Prep Pleasant Valley, Charter #2062 (267 Pages)~~ [Strikethrough text indicates determination of funding request was withdrawn per the request of Peak Prep Pleasant Valley on April 13, 2023.]
* **Attachment 18:** Determination of Funding Request for Pivot Charter School - San Diego II, Charter #1983 (10 Pages)
* **Attachment 19:** Determination of Funding Request for Pivot Charter School North Valley II, Charter #1982 (10 Pages)
* **Attachment 20:** Determination of Funding Request for San Jose Conservation Corps Charter, Charter #0425 (9 Pages)
* **Attachment 21:** Determination of Funding Request for Shasta View Academy, Charter #2065 (21 Pages)
* **Attachment 22:** Determination of Funding Request for South Bay Charter, Charter #1303 (9 Pages)
* **Attachment 23:** Determination of Funding Request for South Sutter Charter, Charter #0724 (10 Pages)
* **Attachment 24:** Determination of Funding Request for Taylion High Desert Academy/Adelanto, Charter #1520 (12 Pages)
* **Attachment 25:** Determination of Funding Request for Tehama eLearning Academy, Charter #0430 (10 Pages)
* **Attachment 26:** Determination of Funding Request for Tracy Independent Study Charter, Charter #2090 (19 Pages)
* **Attachment 27:** Determination of Funding Request for Valley Oak Charter, Charter #0501 (9 Pages)
* **Attachment 28:** Determination of Funding Request for West Park Charter Academy, Charter #0044 (10 Pages)
* **Attachment 29:** Determination of Funding Request for Castle Rock, Charter #0358 (27 Pages)
* **Attachment 30:** Determination of Funding Request for Chawanakee Academy Charter, Charter #1763 (9 Pages)
* **Attachment 31:** Determination of Funding Request for Excel Academy Charter, Charter #2073 (11 Pages)
* **Attachment 32:** Determination of Funding Request for La Vida Charter, Charter #0822 (10 Pages)
* **Attachment 33:** Determination of Funding Request for Liberty Independent Study, Charter #2102 (9 Pages)
* **Attachment 34:** Determination of Funding Request for Motivated Youth Academy, Charter #1628 (10 Pages)
* **Attachment 35:** Determination of Funding Request for Santa Cruz County Career Advancement Charter, Charter #1904 (9 Pages)
* **Attachment 36:** Determination of Funding Request for Sky Mountain Charter, Charter #0905 (10 Pages)
1. The PTR criteria outlined in this table pertain only to charter schools submitting NCB funding determination requests for their NCB instruction. All charter schools offering independent study are required to comply with the ADA-to certificated-employee ratios outlined in *EC* Section 51745.6. [↑](#footnote-ref-1)
2. The charter school had to apply for forgiveness for the PPP loan. [↑](#footnote-ref-2)
3. The charter school had to apply for forgiveness for the PPP loan. [↑](#footnote-ref-3)
4. The charter school had to apply for forgiveness for the PPP loan. [↑](#footnote-ref-4)
5. Pursuant to 5 *CCR* Section 11963.4(e), the ACCS shall give charter schools with less than a total of one hundred (100) units of prior year second period average daily attendance or that are in their first year of operation serious consideration of full funding. [↑](#footnote-ref-5)
6. The charter school had to apply for forgiveness for the PPP loan. [↑](#footnote-ref-6)
7. The charter school had to apply for forgiveness for the PPP loan. [↑](#footnote-ref-7)
8. Pursuant to 5 *CCR* Section 11963.4(e), the ACCS shall give charter schools with less than a total of one hundred (100) units of prior year second period average daily attendance or that are in their first year of operation serious consideration of full funding. [↑](#footnote-ref-8)
9. The charter school had to apply for forgiveness for the PPP loan. [↑](#footnote-ref-9)
10. Pursuant to 5 *CCR* Section 11963.4(e), the ACCS shall give charter schools with less than a total of one hundred (100) units of prior year second period average daily attendance or that are in their first year of operation serious consideration of full funding. [↑](#footnote-ref-10)