



MEMORANDUM

DATE: **October 28, 2014**

TO: **Commissioners, SFUSD Board of Education**

FROM: **Michael Davis**
Director, Charter Schools

SUBJECT: **FACTUAL FINDINGS: RENEWAL PETITION FROM SAN FRANCISCO FLEX ACADEMY**

Findings

The criteria for school district review of charter school renewal petitions are outlined in the California Code of Regulations (CCR): Title 5, Division 1, Chapter 11, Subchapter 19. Under these regulations, if the district does not make written factual findings for denial of the petition within 60 days of receipt, the State will deem the renewal petition approved.

Among other criteria (discussed below) the regulations state; “When considering a petition for renewal, the district governing board shall consider the past performance of the school's academics, finances, and operation in evaluating the likelihood of future success, along with future plans for improvement if any.”

Finding 1: The Financial Information Presented by the Petitioner Does Not Indicate the Likelihood of Future Success.**

The five-year financial plan presented by the Petitioner projects expenditures for each year that are far in excess of revenues (for example 2015-16: revenue of \$984,619 and expenditures of \$1,716,226) that are mitigated or balanced by “K12 BALANCED BUDGET CREDITS” (\$731,607 for 2015-16). K12 Classroom LLC is the school’s Charter Management Organization.

The Petition provides no discernible explanation of the balanced budget credits.** When asked about these credits in the October 1, 2014 meeting of the SFUSD Budget and Business Services Committee, a representative of K12 Classroom, LLC stated that his company provides services to the charter school, and then forgives the charges each year in the form of “K12 Balanced Budget Credits”. The amount forgiven is equal to the school’s spending deficit, allowing the school budget to zero out. The representative said the company had provided credits totaling \$5.7 million to the school over the previous four years.

Fiscal review of California public schools is governed by the Criteria and Standards established under AB 1200. Under those criteria and standards, the school should, for each fiscal year, have an ending balance sufficient to provide a Reserve for Economic Uncertainties of at least the greater of \$50,000, or 5% of expenditures, and should not project deficit spending for consecutive years. The financial information provides no indication of required ending fund balances, and projects deficit spending for each year of operation.

The San Francisco Flex Academy Petition does not meet expected fiscal solvency standards.

Background

Pursuant to Education Code section 47605 (k)(3), a charter school that is granted its charter through an appeal to the state board and elects to seek renewal of its charter shall, before expiration of the charter, submit its petition for renewal to the governing board of the school district that initially denied the charter. If the governing board of the school district denies the school's petition for renewal, the school may petition the state board for renewal of its charter.

The initial SF Flex petition was denied approval by unanimous vote of the San Francisco Board of Education on January 26, 2010. The petitioners appealed to the State Board of Education and were approved on May 7, 2010. The school has operated in San Francisco since July, 2010.

In the public meeting of September 23, 2014, the San Francisco Board of Education received a petition from Flex Public Schools seeking renewal of its SF Flex Academy charter for a five year period ending June 30, 2020. The petition was referred to the Budget and Business Services and Curriculum and Program Committees.

General Guidelines for the Review of California Charter School Renewal Petitions

California Code of Regulations (CCR): Title 5, Division 1, Chapter 11, Subchapter 19.

A petition for renewal submitted pursuant to Education Code section 47607 shall be considered by the district governing board upon receipt of the petition with all of the requirements set forth in this subdivision:

(1) Documentation that the charter school meets at least one of the criteria specified in Education Code section 47607(b).

(b) Commencing on January 1, 2005, or after a charter school has been in operation for four years, whichever date occurs later, a charter school shall meet at least one of the following criteria before receiving a charter renewal pursuant to paragraph (1) of subdivision (a):

(1) Attained its Academic Performance Index (API) growth target in the prior year or in two of the last three years both schoolwide and for all groups of pupils served by the charter school.

(2) Ranked in deciles 4 to 10, inclusive, on the API in the prior year or in two of the last three years.

(3) Ranked in deciles 4 to 10, inclusive, on the API for a demographically comparable school in the prior year or in two of the last three years.

(4) (A) The entity that granted the charter determines that the academic performance of the charter school is at least equal to the academic performance of the public schools that the charter school pupils would otherwise have been required to attend, as well as the academic performance of the schools in the school district in which the charter school is located, taking into account the composition of the pupil population that is served at the charter school.

(B) The determination made pursuant to this paragraph shall be based upon all of the following:

(i) Documented and clear and convincing data.

(ii) Pupil achievement data from assessments, including, but not limited to, the Standardized Testing and Reporting Program established by Article 4 (commencing with Section 60640) of Chapter 5 of Part 33 for demographically similar pupil populations in the comparison schools.

(iii) Information submitted by the charter school.

(2) A copy of the renewal charter petition including a reasonably comprehensive description of how the charter school has met all new charter school requirements enacted into law after the charter was originally granted or last renewed.

When considering a petition for renewal, the district governing board shall consider the past performance of the school's academics, finances, and operation in evaluating the likelihood of future success, along with future plans for improvement if any.

(3) The district governing board may deny a petition for renewal of a charter school only if the district governing board makes written factual findings, specific to the particular petition, setting forth specific facts to support one or more of the grounds for denial set forth in Education Code section 47605(b) or facts to support a failure to meet one of the criteria set forth in Education Code section 47607(b).

Staff Review – California Code of Regulations/Education Code Criteria

Summary of Report to the Curriculum and Program Committee

(1) Pursuant to the requirements of Education Code section 47607(b)(1), we have reviewed the academic performance data provided on page 17 of the petition, and the information reported on the California Department of Education's DataQuest web site.

2010 – 2014 API SCORES

Year	API Statewide Ranking	API Similar Schools Ranking	API Growth Scores	API Growth Target (Actual Growth)	Met School Growth Target?
2010-2011	Base Year	Base Year	644	B ¹	N/A
2011-2012	2	--	648	8 (+4)	No
2012-2013	1	1	733	8 (+85)	Yes
2013-2014		TESTING	SUSPENDED		
				¹ The school Had no Valid 2010 Base	

The data indicate:

- The petitioner did meet API growth targets in the prior year (2012-13), satisfying criteria 47607(b)(1).²

²Assembly Bill 484 (2013), which suspended API testing in the 2013-14 school year, allows charter schools to use their most recent API calculation to satisfy legislative and/or programmatic requirements.

(2) The CCR renewal provisions require the petitioner to include a reasonably comprehensive description of how the charter school has met all new charter school requirements enacted into law after the charter was originally granted or last renewed.

With the adoption of the Local Control Funding Formula (LCFF), the State also amended the Education Code pertaining to charter schools.

- Education Code section 47607(b)(5)(A)(ii) requires charter petitions to include annual goals, for all pupils and for each subgroup of pupils to be achieved in the state priorities that apply for the grade level served, or the nature of the program operated by the charter school, and specific annual actions to achieve those goals.
- Education Code section 47607(b)(5)(B) requires the petition to contain measurable pupil outcomes that address increases in pupil academic achievement, both schoolwide and for all groups of pupils served by the school. The outcomes must be aligned with state priorities.

The petitioner has contemplated the requirements of the LCFF and Local Control Accountability Plan (LCAP) and has included, beginning on page 52, a table of state-aligned goals and actions,

and a table of measurable pupil outcomes aligned to state priorities. The attached matrix review found the Petition to be “Sufficient” in addressing LCFF/LCAP requirements and other Education Code charter school educational program elements.**

The petition does not appear to specifically provide a “reasonably comprehensive description” regarding requirements enacted since its charter was last renewed. The petitioner should provide this description.**

According to the Petition; “The School aims to serve students whose demographics match the incredible diversity of San Francisco including, but not limited to, ethnic, racial, socioeconomic and other diversity.” The 2014-15 student demographic information in the table below was provided on page 21 of the Petition:

American Indian or Alaska Native	0.9%
Asian	3.5%
Black or African American	36.0%
Chinese	6.1%
Filipino	1.8%
Hispanic or Latino	14.0%
Korean	0.9%
Laotian	0.9%
Other Asian	2.6%
Other Pacific Islander	0.9%
White	28.9%
Declined to State	3.5%

The Petition does not include information regarding the socioeconomic status of the current student population, and also does not include detail regarding projected Supplemental or Concentration grants revenues that may be generated from that enrollment in the financial projections.**

Summary of Report to the Budget and Business Services Committee

The school has operated since 2010, and over the past four years (2010-11 to 2013-14) enrollment has ranged from about 100 to 135. In the 2012-13 school year SF Flex generated Average Daily Attendance (ADA) of 129 students in grades 9-12 (with 96 San Francisco-resident ADA). In the current school year (2014-15), the school occupies SFUSD’s Gloria R. Davis campus under a Proposition 39 agreement. The move to this site was opposed by many of the school’s out-of-district parents, and it appears that current year enrollment has declined to under 100

as a result. The renewal petition projects 2015-16 ADA of 105, growing to 172 in 2019-20. The petition does not provide evidence to support this projection.**

Since SF Flex is authorized by the California State Board of Education, documents regarding the school's fiscal performance over the past four years are not readily available to SFUSD. We have found no evidence of negative or qualified certifications of the school's Interim Financial Reports, or any other evidence of potential insolvency. We have asked the Petitioner to provide Interim Report, Unaudited Actual and Independent Audit reports for the past four years. **

Looking forward, in addition to ADA projections that may be overly optimistic, the Petitioner's five-year financial plan projects expenditures for each year that are far in excess of revenues (for example 2015-16: revenue of \$984,619 and expenditures of \$1,716,226) that are mitigated or balanced by "K12 BALANCED BUDGET CREDITS" (\$731,607 for 2015-16). K12 Classroom LLC is the school's Charter Management Organization. The Petitioner provides no discernible explanation of the balanced budget credits.

The information provided by the Petitioner does not allow SFUSD to accurately assess "likelihood of future success".