



Opportunities For Learning
Public Charter Schools

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CHARTER SCHOOLS
DIVISION

September 18, 2009

Carol Barkley
Director, Charter Department of Education
1430 N. Street
Sacramento, CA 95814

RE: Request for Mitigating Circumstances for SB740 Funding Determination

Dear Ms. Barkley,

We appreciate you taking the time to consider the attached memo regarding Opportunities For Learning Public Charter Schools' request for mitigating circumstances for SB740 funding determinations. It is our sincere hope that this memo can be handled in a timely manner. Ideally, our intention is for the memo to be addressed in the October 16, 2009 Advisory Commission on Charter School Board meeting.

If you have further questions, please contact me directly at (818) 952-1790.

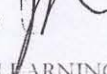
John C. Hall
President



Opportunities For Learning
Public Charter Schools

EMS

MEMORANDUM

TO: ADVISORY COMMISSION ON CHARTER SCHOOLS 
FROM: JOHN HALL, PRESIDENT—OPPORTUNITIES FOR LEARNING PUBLIC CHARTER SCHOOLS
SUBJECT: REQUEST FOR MITIGATING CIRCUMSTANCES FOR SB740 FUNDING DETERMINATIONS
DATE: 9/17/2009

This memo outlines Opportunities For Learning Public Charter Schools' request for funding and operational flexibility through the "reasonable basis" provisions provided for in the regulations that govern the nonclassroom-based funding determination process.

Opportunities For Learning Public Charter Schools appreciate the opportunity to request these mitigating circumstances that have resulted from the recent budget cuts due to the State's economic crisis. During the pendency of the budget crisis, Opportunities For Learning Public Charter Schools would be deemed to have met the requirements for eighty-five percent funding under the funding determination process providing they meet the below criteria in lieu of the ones currently specified by law. The "reasonable basis" would be deemed to exist until such time as funding for the Charter General-Purpose Grant and Categorical Block Grants return to levels specified in statute and confirmed by the ACCS.

| Charter School Name | Charter School Number | Current Funding Level |
|--|-----------------------|-----------------------|
| Opportunities For Learning-Santa Clarita | 214 | 85% |
| Opportunities For Learning – Baldwin Park | 402 | 85% |
| Opportunities For Learning – Capistrano | 463 | 85% |
| Opportunities For Learning – Baldwin Park II | 874 | 85% |

Circumstance:

The schools have experienced funding cuts totaling 13.90% for the fiscal year 2008-09 and 2009-10. In addition, the schools face great uncertainty of further funding cuts for the 2009-10 fiscal year. The deferred payments of ADA, Supplemental and P2 adjustments account for 22.80% of the schools' total revenue which is deferred until the next fiscal year. During the 2008-09 school year, it was generally understood and recommended that California's charter schools anticipate a budget cut of 8%. Educational support organizations including, the CSDC, School Services and the

Department of Finance advised charter schools to budget for an 8% cut in funding for the 2008-09 school year. Unfortunately, schools were not informed until July 2009, that the expected 8% cut, would actually be only 2.6%, which created a 5.4% variance in total funding for the 2008-09 school creating structural uncertainties relative to whether or not certificated and instructional thresholds could be met because of the 5.4% variance in total funding for a school fiscal year which had already closed. These structural uncertainties and deferred payments from the state delays the information required to complete and submit the schools' audited financials by approximately 6 months after the June close of the fiscal year. This results in the schools not knowing if they have met their certificated and instructional "thresholds" until half way through the following year.

Relief

- **"Student-to-teacher" ratio**—schools would be permitted to claim average daily attendance (ADA) at levels up to 27.5 ADA per full-time equivalent (FTE) teacher.
- **Spending on instructional costs**—Opportunities For Learning Public Charter Schools would be required to direct at least 61.25 percent of their expenditures on "instruction and related services" whereas current law requires spending at a 70 percent level for 85 percent funding. Opportunities For Learning Public Charter Schools would have the option of averaging expenditures over any two consecutive years, that includes the current fiscal year and either the prior or successive fiscal year period to comply with expenditure requirements.
- **Spending on certificated staff compensation**— Opportunities For Learning Public Charter Schools spending on certificated staff compensation would be required to direct at least 35 percent of their expenditures toward eligible certificated staff costs whereas current law requires spending at a 40 percent level. To comply with the expenditure requirement, schools would have the option of averaging expenditures over any two consecutive years, that includes the current fiscal year and either the prior or successive fiscal year period to comply with expenditure requirements.
- **Reserves**— Opportunities For Learning Public Charter Schools would be permitted to establish and maintain budget reserves for economic uncertainty at a level of 10 percent of budgeted expenditures whereas current law establishes a 5 percent reserve threshold. This level of reserve would permit a modest degree of additional flexibility to enable the schools to establish more prudent reserves and to more readily "smooth" the impact of budget changes over a multi-year period.
- **One-time funding sources excluded**—when calculating the above spending targets and reserve thresholds, schools would be permitted to exclude "one-time" funding sources (e.g., federal stimulus funding).
- **Coping with cash flow deferrals**—for funding determination purposes, Opportunities For Learning Public Charter Schools would be permitted to book the receipt of deferred state funding on either an accrual or cash basis. Schools that take advantage of this flexibility would, for funding determination purposes, be required to book expenditures related to deferred revenues in the same year as they book the related revenues. Thus, schools would ultimately be required to still meet the expenditure targets specified above, but could defer booking of income and the related expenditures into the year when the cash is actually received.

Circumstance:

Opportunities For Learning Public Charter Schools, in recent years, have experienced an increased number of students looking for alternative schooling options. In our current economy, there has been an additional influx of students who are working full time to support their families. Due to this increase, Opportunities For Learning Charter Schools have expanded their programs and acquired new facilities. However, the funding cuts and deferred payments have placed a huge strain on the schools' ability to meet the increasing demand of the at-risk population of dropouts. In addition, the State of California has added a significant burden to charter schools when opening or expanding a location. This requirement, a "Conditional use Permit" is administered by each local municipality and has added additional time of approximately 6 months and increased costs by approximately 30% for each additional location.

Relief

- **Allowable facilities expenditures**— Opportunities For Learning Public Charter Schools would be given an additional option to count up to 60 (sixty) percent of their facilities costs as "instruction and related services" costs toward the above-referenced 61.25 percent spending target for instruction and related costs. The simple 60 percent formula proposed here would be an optional, alternative method that could be chosen in lieu of the existing facilities formula (schools would choose one of the two methods but could not combine them).

Given the unprecedented magnitude of the funding cuts and cash deferrals, and given the unstable and unpredictable nature of charter school funding streams, the above request represents a modest and reasonable adjustment to the pre-existing requirements for Opportunities For Learning Public Charter Schools to qualify for 85 percent funding under the funding determination process. We hope, the flexibility proposed here will strike a reasonable balance between the state's desire to ensure that Opportunities For Learning Public Charter Schools' funds are directed primarily for the benefit of students while still permitting a reasonable degree of flexibility and stability in an otherwise chaotic budgetary environment.