

Merced Scholars Charter School

March 14, 2011

TO: California Department of Education
Charter Schools Division, Beth Hunkapiller, Director
Advisory Commission on Charter Schools (ACCS)

MAR 18 2011

RE: Request for Budget Crisis Mitigating Circumstances for current SB740 Funding Determination period.

We are writing to request that Merced Scholars Charter School, for the current SB740 funding determination period be granted greater expenditure flexibility in the specific area's listed below.

The current state budget crisis, which has resulted in dramatic cuts to our annual budget and the **deferrals of funding apportionment**, has caused unprecedented financial hardship and challenges to our school. As a result we needed a cash flow transfer from our sponsoring LEA so that we could meet our monthly expenditure costs. Both the ending balance from prior fiscal year and the "reserve for designated economic uncertainties" include this transfer amounts.

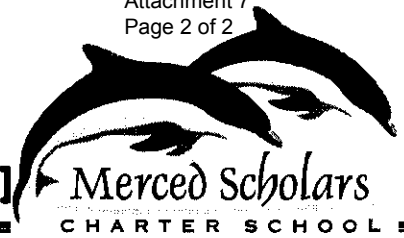
The areas that we are requesting flexibility in are:

Spending on Instructional Costs – Due to the cash flow crisis we were and continue to be highly conservative on all spending. We are requesting a 14% reduction (flexibility) in our spending for "instruction and related services" cost. This reduction would allow us to spend 66% of our revenues on "instruction and related services" costs rather than the current requirement to spend 80% to qualify for 100% funding. This 14% would allow our Charter school additional funds available to better manage our financial situation during these tumultuous cash flow times. In the 2009/10 fiscal year alone we needed a \$200,000 cash flow transfer from our LEA to meet our monthly expenditure needs.

Reserves - We would like to request permission to establish and maintain reserves at 10% of expenditures, whereas the current law stipulates a 5% reserve threshold. This change would equate to about \$75,000 or 10% of total expenditures for the current year which would enable us to establish more conservative reserves to deal with this multi-year budget crisis.

One-time funding sources excluded: We request to exclude "one-time" funding sources when calculating spending targets (e.g. federal stimulus funding). This proposal corresponds with flexibility previously provided during years when "excess" state revenues permitted the creation of substantial new and "one-time" categorical funding sources. During such years charter schools were permitted to exclude their "receipts" from these "one-time" programs when calculating their funding determinations.

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As stated in Title 5, section #11963.4 (e) we believe this is a reasonable basis for you to consider recommending our school for 100% funding. These are reasonable requests and the budget crisis provides a "reasonable basis" for the provision of "Funding Determination" mitigating circumstances during this difficult financial period in California.

This request of Merced Scholars Charter School includes the understanding that with meeting the above mitigated criteria for our expenditures in the 2009/10 through 2012/13 fiscal years will allow us to continue with a 100% funding determination for the period of its current determination or until such time the ACCS determines the budget situation in the state no longer requires the continuance of these measures. This is consistent with the period of flexibility that has been provided to school districts through the 2012/13 fiscal years.

By submission and approval of this request the Merced Scholars Charter School provides the assurance that it will maintain the above stated expenditure ratio targets for the duration of its most current funding determination period.

Sincerely,

Debbie K Gomes
Business Manager
Merced County Office of Education
Merced Scholars Charter School