

California Department of Education

Executive Office

SBE-003 (REV. 11/2017)

lacb-csd-sep24item01

# California State Board of Education September 2024 Agenda Item #07

## Subject

Consideration of Determination of Funding Requests 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, Consent

## Summary of the Issue

California *Education Code* (*EC*)sections 47612.5 and 47634.2 establish 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).

Pursuant to *California Code of Regulations*, Title 5 (5 *CCR*), the California Department of Education (CDE) reviews a charter school’s determination of funding request and presents it for consideration to the Advisory Commission on Charter Schools (ACCS). The ACCS shall develop a recommendation to the SBE, and the CDE shall present that recommendation to the SBE.

This item considers the determination of funding requests from two charter schools.

## Recommendation

The CDE recommends that the SBE approve the determination of funding requests from the two charter schools at the levels of funding and for the time periods provided in Attachment 1.

## Advisory Commission on Charter Schools Recommendation

At its August 6, 2024, meeting, the ACCS moved to accept the CDE’s recommendation that the SBE approve the determination of funding requests at the levels of funding and for the time periods provided in Attachment 1. The motion passed unanimously.

The notice for the August 6, 2024, ACCS meeting and the determination of funding requests for the schools presented in this item are available under Item 01 of the August 2024 ACCS Meeting Agenda web page at <https://www.cde.ca.gov/be/cc/cs/accsnotice080624.asp>.

## 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 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 of 100 percent funding, a charter school must meet the following criteria as outlined in 5 *CCR* Section 11963.4(a)(3):

* Spend at least 40 percent of the charter school’s public revenues on salaries and benefits for all employees who possess a valid teaching certificate, permit, or other document equivalent to that which a teacher in other public schools would be required to hold issued by the Commission on Teacher Credentialing and who work in the charter school in a position required to provide direct instruction or direct instructional support to students
* Spend at least 80 percent of the charter school’s total revenues on instruction and related services
* Maintain a ratio of average daily attendance (ADA) for independent study pupils to full-time certificated employees responsible for independent study that does not exceed a pupil-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*

| **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 | Not Applicable |
| **70%** | ≥ 35 | ≥ 60 | Not Applicable |
| **0%** | < 35 | < 60 | Not Applicable |

### Funding Periods

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).

Regarding five-year funding periods, *EC* Section 47612.5(d)(2) provides the following:

A charter school that has achieved a rank of six or greater on the Academic Performance Index for the two years immediately prior to receiving a funding determination…shall receive a five-year determination.

Based on the CDE’s interpretation of statute and regulations, the CDE recommends a funding period between two to four years for an existing charter school with an active funding determination. Because the Academic Performance Index is no longer calculated, the CDE does not recommend five-year funding determination periods.

The CDE’s recommended funding period for an existing charter school with an active funding determination is dependent upon factors such as the number of times the charter school has obtained a funding determination from the SBE, and the information provided by the charter school as a part of its determination of funding request. The CDE typically recommends a funding period of three years for a charter school that is obtaining a funding determination with the SBE for the second time and a funding period of four years for subsequent times.

## Review of Funding Determination Requests

The CDE recommends that the SBE approve the determination of funding requests from the two charter schools at the levels of funding and for the time periods provided in Attachment 1. The CDE’s review of each charter school’s funding determination request is provided below.

If a charter school’s determination of funding request is approved, the charter 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).

### Hart-Ransom Charter (Charter #0080)

The following table provides the regulatory criteria for funding levels and the charter school’s expenditures percentage calculations and PTR, as reported on the charter school’s funding determination form.

Hart-Ransom Charter Nonclassroom-Based Instruction Funding Qualification

| **Criteria** | **Percentage Spent on Certificated Salaries and Benefits** | **Percentage Spent on Instruction and Related Services** | **PTR** |
| --- | --- | --- | --- |
| **100 Percent** | ≥ 40 | ≥ 80 | ≤ 25 to 1 |
| **85 Percent** | ≥ 40 | ≥ 70 | Not Applicable |
| **70 Percent** | ≥ 35 | ≥ 60 | Not Applicable |
| **Charter School** | 53.03 | 86.31 | 23.81 to 1 |

Hart-Ransom Charter requested 100 percent funding for its NCB instruction for five years. The charter school’s complete determination of funding request is provided on the August 2024 ACCS Meeting Agenda web page at <https://www.cde.ca.gov/be/cc/cs/documents/accs-aug24item01a2.docx>.

Pursuant to 5 *CCR* Section 11963.4(a), the CDE reviewed the charter school’s funding determination request and found that the charter school meets the regulatory requirements to qualify for its requested level of funding for its NCB instruction based on reported fiscal year 2022–23 data. Therefore, the CDE recommends that the SBE approve the charter school’s determination of funding request at 100 percent funding for four years.

### Loma Vista Charter (Charter #1329)

The following table provides the regulatory criteria for funding levels and the charter school’s expenditures percentage calculations and PTR, as reported on the charter school’s funding determination form.

Loma Vista Charter Nonclassroom-Based Instruction Funding Qualification

| **Criteria** | **Percentage Spent on Certificated Salaries and Benefits** | **Percentage Spent on Instruction and Related Services** | **PTR** |
| --- | --- | --- | --- |
| **100 Percent** | ≥ 40 | ≥ 80 | ≤ 25 to 1 |
| **85 Percent** | ≥ 40 | ≥ 70 | Not Applicable |
| **70 Percent** | ≥ 35 | ≥ 60 | Not Applicable |
| **Charter School** | 80.46 | 89.22 | 16.39 to 1 |

Loma Vista Charter, a locally funded charter school authorized by Lindsay Unified, requested 100 percent funding for its NCB instruction for five years. The charter school’s complete determination of funding request is provided on the August 2024 ACCS Meeting Agenda web page at <https://www.cde.ca.gov/be/cc/cs/documents/accs-aug24item01a3.docx>.

Pursuant to 5 *CCR* Section 11963.4(a), the CDE reviewed the charter school’s funding determination request. Based on the charter school’s reported revenues and expenditures, the charter school meets the regulatory requirements to qualify for its requested level of funding for its NCB instruction. However, as a part of the CDE’s review of all information provided by the charter school on its funding determination form, the CDE noted a discrepancy between the charter school’s reported ending fund balance on its funding determination form and the source data provided by the charter school. While the charter school reported on its funding determination form that its fiscal year 2022–23 ending fund balance was $1,182,379, the charter school’s source data indicates that the ending fund balance was $1,385,375, a difference of $202,996.

Pursuant to 5 *CCR* Section 11963.4(b), which provides that the CDE may ask the charter school to provide additional information to make possible a more detailed review or to develop a reasonable basis for recommendation other than those prescribed in 5 *CCR* Section 11963.4(a), the CDE requested clarification from the charter school regarding this discrepancy. The charter school was unable to provide the clarification regarding the ending fund balance, stating the following:

Because we only do this funding determination form every few years and we have costs that we don't directly charge to the Charter, the fund balance is likely overstated by a lot. Because we treat this charter like a school site within our general fund, it is difficult to determine which expenses from year to year are associated with the Charter. We use a site code only and other than that it has the same resources and fund as our district accounts. We [haven’t] kept real good track of the fund balance specifically for the charter school.

As the charter school meets the regulatory criteria for a recommendation of 100 percent funding for its NCB instruction, the CDE recommends that the SBE approves the charter school’s determination of funding request at 100 percent. Due to the discrepancy between the charter school’s reported ending fund balance on its funding determination form and its source data, the CDE recommends that the SBE approves the charter school’s determination of funding request for two years. A period of two fiscal years allows the CDE to timely revisit the charter school’s funding determination, ensure that the charter 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 charter school on its determination of funding request. Specifically, the CDE will follow up with the charter school on its fiscal practices, including its tracking of expenses and fund balances as well as ensure that the charter school understands and remains aware of the regulatory requirements for funding for NCB instruction.

## Fiscal Analysis

If the funding determination requests are approved by the SBE, the two charter schools presented in this item will receive apportionment funding for their NCB ADA under the Local Control Funding Formula model.

## California Department of Education Staff Review

A direct link to each charter school’s determination of funding request is provided below. The requests are also available under Item 01 of the August 2024 ACCS Meeting Agenda web page at <https://www.cde.ca.gov/be/cc/cs/accsnotice080624.asp>.

* Determination of Funding Request from Hart-Ransom Charter (Charter #0080) (<https://www.cde.ca.gov/be/cc/cs/documents/accs-aug24item01a2.docx>)
* Determination of Funding Request from Loma Vista Charter (Charter #1329) (<https://www.cde.ca.gov/be/cc/cs/documents/accs-aug24item01a3.docx>)

## Attachment

* **Attachment 1:** Recommendations for Nonclassroom-Based Determination of Funding Requests (1 Page)

1. The PTR criteria outlined in this table pertain only to charter schools submitting 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)