

May 18, 2022, California State Board of Education  
Meeting

Item 04: Determination of Funding  
Request with Mitigating Circumstances



**CALIFORNIA DEPARTMENT OF EDUCATION**  
Tony Thurmond, State Superintendent of Public Instruction

# Determination of Funding

- Pursuant to California *Education Code (EC)* Section 47612.5(d)(1), a charter school that has an approved charter may receive funding for its nonclassroom-based (NCB) instruction only if a determination for funding is made by the California State Board of Education (SBE)

# Previous State Board of Education Action

- From January 2017 through March 2022, the SBE has heard 540 determination of funding requests, including requests with the consideration of mitigating circumstances
  - 97.59 percent of funding determination requests have been approved at 100 percent
  - 97.53 percent of mitigating circumstances requests have been approved

# Determination of Funding Review and Recommendation Process

- Pursuant to *California Code of Regulations, Title 5 (5 CCR) Section 11963.4*, the California Department of Education (CDE) reviews the determination of funding request and develops a recommendation on the request
  - The CDE presents its recommendation to the Advisory Commission on Charter Schools (ACCS)
  - The ACCS considers the information presented and makes its own recommendation to the SBE
  - Both the CDE and ACCS's recommendations are presented to the SBE

# Criteria for Determination of Funding

- Pursuant to *EC* Section 47634.2(a)(1), the SBE shall adopt regulations setting forth criteria for the determination of funding for NCB instruction; at a minimum the regulations shall specify that NCB instruction is conducted for the instructional benefit of pupils and is substantially dedicated to that function
- In developing these criteria and determining the amount of funding to be allocated to a charter school, the SBE shall consider the following:
  1. The amount of the charter school's total budget expended on certificated employee salaries and benefits and on school sites
  2. The teacher-to-pupil ratio in the school
  3. Other factors it deems appropriate

# Amount of Funding

- Pursuant to *EC* Section 47634.2(a)(4), for the 2003–04 fiscal year and each fiscal year thereafter, the amount of funding determined by the SBE shall not be more than 70 percent of the unadjusted amount to which a charter school would otherwise be entitled, unless the SBE determines that a greater or lesser amount is appropriate based on the criteria specified in *EC* Section 47634.2(a)(1)

# Evaluation of a Determination of Funding

- Pursuant to 5 CCR Section 11963.4(a), the following criteria shall guide the process of reviewing and developing a recommendation on the determination of funding request

<b>Funding Percentage</b>	<b>Instructional Certificated Salaries and Benefits</b>	<b>Instruction and Related Services</b>	<b>Pupil to Teacher Ratio</b>
100% (Full)	≥ 40%	≥ 80%	25 to 1
85%	≥ 40%	≥ 70%	Not Applicable
70%	≥ 35%	≥ 60%	Not Applicable
0%	< 35%	< 60%	Not Applicable

# “Reasonable Basis”/Mitigating Circumstance

- 5 *CCR* Section 11963.4(e) permits the finding of a “reasonable basis” or mitigating circumstance by which to make a recommendation other than one that results from the specified expenditure criteria
- The following may be considered:
  - Other information provided by the school on the funding determination form (e.g., the charter school’s contracts, governing board members, and reserves)
  - Documented data regarding individual circumstances of the charter school, such as one-time expenses, or unique or exceptional expenses



# Sierra Foothill Charter

- Item 04 consists of a request for determination of funding with “reasonable basis”/mitigating circumstances from Sierra Foothill Charter (charter #1396), a classroom-based charter school

# Background

- Senate Bill 820 Section 75 modified the funding determination request process for existing NCB charter schools that have a funding determination that expires on June 30, 2022
  - These existing NCB charter schools automatically receive their current level of funding for two years upon submission of a complete and timely funding determination request
- Sierra Foothill Charter does not have an active funding determination that expires on June 30, 2022
  - This school is required to obtain an approved funding determination from the SBE

# Sierra Foothill Charter's Expenditures

<b>Funding Percentage</b>	<b>Instructional Certificated Salaries and Benefits</b>	<b>Instruction and Related Services</b>	<b>Pupil to Teacher Ratio</b>
100% (Full)	≥ 40%	≥ 80%	25 to 1
85%	≥ 40%	≥ 70%	Not Applicable
70%	≥ 35%	≥ 60%	Not Applicable
0%	< 35%	< 60%	Not Applicable
Sierra Foothill Charter	37.20%	74.90%	24.20 to 1

# Sierra Foothill Charter's Mitigating Circumstances

- Sierra Foothill Charter cites as mitigating circumstances that it received approximately \$135,000 in ESSER III funding, which has been allocated to a capital project
  - Without this one-time revenue, the school would have met the expenditure requirements for 100 percent funding

# Sierra Foothill Charter's Reserves

- The CDE notes that the school reported total reserves of \$943,297, or 61.47 percent of total expenditures and a projected P-2 average daily attendance of 122.26 for fiscal year 2021–22
  - Pursuant to 5 CCR Section 11963.3(a)(5)(F), reserves in excess of the greater of \$50,000 or 5 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
- When asked by the CDE, the school did not state any specific plans for their high reserves; the CDE finds Sierra Foothill Charter's reserves to be very high for a school of its size

# Conclusion

- Sierra Foothill Charter failed to meet the regulatory expenditure requirements for full funding and qualifies for a funding determination of 70 percent
- When a school fails to meet the expenditure requirements for a recommendation of 100 percent funding for its NCB instruction, the CDE considers other information provided on its funding determination form, pursuant to 5 *CCR* Section 11963.4(b)
- The CDE has determined that the information submitted by Sierra Foothill Charter does not support its claim for mitigating circumstances
  - While the school did obtain one-time revenue that impacted its expenditure percentages, the school had sizable reserves at its disposal that could have been spent on certificated salaries and benefits and instruction and related services; the CDE has concerns that the school's spending patterns do not demonstrate that they are spending at adequate levels for the students served

# California Department of Education Recommendation

- The CDE recommends that the SBE deny Sierra Foothill Charter's mitigating circumstances request and approve their determination of funding request at 70 percent for two years
  - The CDE notes that the school may submit a reconsideration request to seek a higher level of funding during the effective period of its funding determination, pursuant to 5 *CCR* Section 11963.6(g)

# Advisory Commission on Charter School Recommendation

- At its April 12, 2022, meeting, the ACCS did not agree with the CDE's recommendation and instead moved to recommend that the SBE approve Sierra Foothill Charter's mitigating circumstances request and approve their determination of funding request at 100 percent for two years
  - The motion passed by vote of six to one