



Charter School Authorizing and Oversight 101, With a Focus on Finance

California Charter Authorizer Support Initiative (CASI)

April 6, 2023

Annual Conference & California School Business Expo

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Sign-In and Materials

Using smartphone, please use QR code to access [our sign-in sheet](#):



Using smartphone, please use QR code to access [our materials](#):



(CASBO has them too.)




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Introductions

CCAP

Tom Hutton
Executive Director
Debi Deal
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SCCOE

Mefula Fairley
Executive Director, Charter Schools
Department
Dr. Michelle Johnson
Associate Director, Charter Schools Department



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Getting to Know You

- District or County Office? Or non-authorizer?
- Financial staff or other?
- How many charter schools?
- How many years of experience with charter schools?
- How many of your colleagues would you say have authorizing duties in your organization – including you?



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Charter Authorizer Support Initiative (CASI)

Funded by federal Public Charter School Grant Program (PCSGP)
Charter School Authorizer (CSA) Technical Assistance Provider (TAP) Sub-Grant.

California Department of Education (CDE) funds CCAP & SCCOE to provide
technical assistance to charter school authorizers across the state.

Special emphasis on small and rural authorizers, training & networking.



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Outcomes for Today

- For those new to charter schools and charter oversight, gain some understanding of California's charter school and authorizing system.
- Learn some basics about financial oversight of charter schools, best practices, and areas of risk.
- Be equipped with resources, networking, and sources of ongoing support for authorizing.



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A Brief Introduction to California Charter Schools & Authorizing



Santa Clara County
Office of Education



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Charter School Basics

- Self-governing, self-managed schools.
- Non-profit 501(c)(3) entities authorized by law to operate a nonsectarian, public school.
- Governed by a charter document (and often an MOU) and overseen by an authorizer: school district or county office of education (note: State Board).
- Exempt from some rules that apply to districts: “Mega-waiver.”
- The “Accountability Bargain”: More autonomy, but higher-stakes accountability based on performance.



Santa Clara County
Office of Education

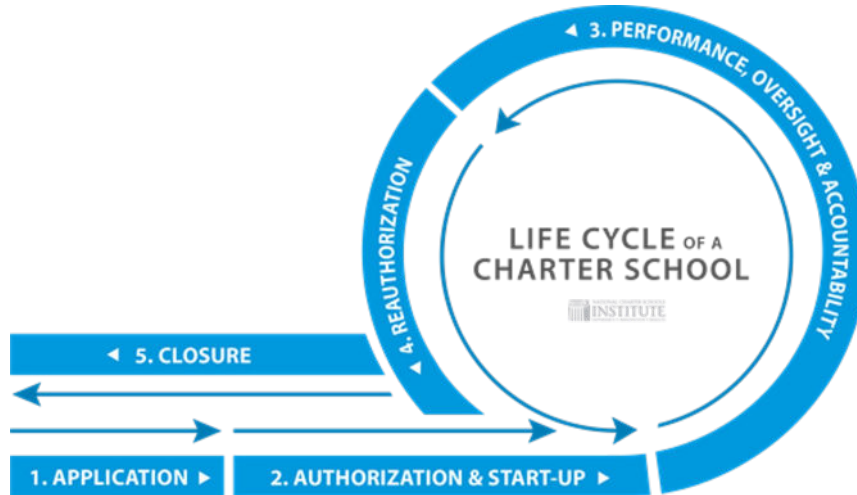


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Life Cycle of Charter: Five Stages



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California Realities

- Two-thirds of school districts are “small” = 2,500 or fewer students.
- 328 charter school authorizers – more than any other state.
 - The authorizer role is mandatory.
- Most authorizers are “small”:
 - 92% oversee six or fewer schools, of that 66% oversee only one or two schools.



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California Realities

- Limited resources for authorizing:
 - Authorizer administrative fee is lesser of actual costs or oversight fee of 1% - 3% of a charter school's Local Control Funding Formula ([Education Code \(EC\) 47613](#))
 - Generally, 1% unless providing rent-free facility, then 3%
- Many authorizers have few or no dedicated authorizing staff
- High staff turnover
- Polarized politics
- Declining enrollment

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Charter Oversight Requirements

(California Education Code (EC) 47604.32)

At an absolute minimum, the authorizer is required to:

1. Identify at least one staff member as contact person for charter school.
2. Visit each charter school at least annually.
3. Ensure school complies with all reports required of charters by law, including Local Control Accountability Plan (LCAP) and LCAP annual update.
- 4. Monitor fiscal condition of each charter school.**
5. Provide timely notification to California Department of Education (CDE) of renewal, revocation, or a school that ceases operations.

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Be Aware of Timelines

(EC sections 47605 and 47607)

1. Strict timeline starts when charter school/operator submits petition (including signed certificate of completion):
 - 60 days to authorizer's public hearing
 - 90 days to authorizer's decision hearing
 - 15 days prior to authorizer's decision action, authorizer must post recommendations and findings of fact
2. If decision is denial, charter school has 30 days to appeal
 - Create a transcript of your proceedings, in case there is an appeal

WHEN IN DOUBT, GET HELP!

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Petition Review

(EC sections 47605)

The governing board of the school district shall not deny a petition for the establishment of a charter school unless it makes written factual findings:

- 1) Unsound educational program
- 2) Demonstrably unlikely to successfully implement the program
- 3) Does not contain the number of signatures (50% of teachers or 50% of parents of students who will attend during first year)
- 4) Does not contain required affirmations/ assurances
- 5) Does not contain reasonably comprehensive descriptions of all elements (15 different ones)
- 6) Does not declare it will be exclusive employer

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Petition Review (Continued)

(EC sections 47605)

New grounds for denial:

- 7) “Unlikely to serve the interests of the entire community”:
 - A) “Substantially undermine existing services”; OR
 - B) Duplicate programs
- 8) Qualified or Negative interim certification, or is under state receivership (as defined by statute)



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Basics of Financial Oversight



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Oversight Best Practices

- Internal controls are grounded in policies, procedures, and administrative regulations critical to ensure strong oversight:
 - **Policies and procedures:** Defined and monitored.
 - **Desk manuals:** Accounting/business, human resources, employment.
 - **Build a relationship:** Team approach to support charter school.
 - **Communication:** Active and ongoing with charter school.
 - **Documentation:** If it's not in writing, it didn't happen!
 - **Evaluations of financial progress** throughout year, as well as annually.
 - **Periodic site visits.**
- Internal controls span education programs, attendance, human resources and all aspects of school's financial operations.

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Authorizer's Role for Successful Fiscal Oversight?



Building a partnership, providing support and good communication and sharing expectations for renewal.



Providing key fiscal information to charters on major budgetary financial updates that affect budget assumptions throughout the year.









Understanding the basics of oversight and industry best practices.

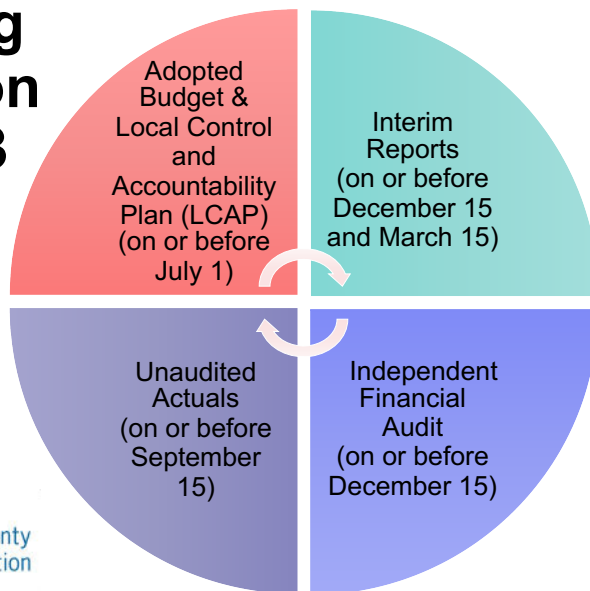
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Monitoring the Fiscal Condition

-  Enrollment
-  Average Daily Attendance (ADA)
-  Unduplicated Pupil Percentage (UPP)
-  Cash on Hand & Cash Management
-  Board Approval Deadlines
-  Timely Reporting

Reporting EC Section 47604.33



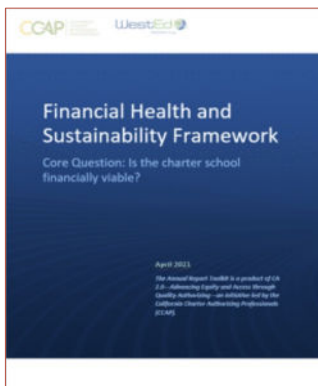
Financial Oversight Framework



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CCAP Annual Reports Toolkit: Financial Health & Sustainability Framework



Financial Framework



Performance Indicators



Template



▶ <https://calauthorizers.org/resource/annual-report-toolkit-financial-health-and-sustainability-framework/>

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Financial Health & Sustainability Framework

Financial Framework Overview

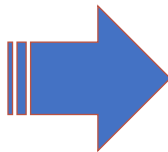
	Definition
Indicator	Categories of financial performance
Measure	Means to evaluate one aspect of an indicator
Metric	Measure of quantifying a measure
Target	Thresholds that signify success in meeting the standard of performance for a specific measure
Rating	Assignment of a school's performance into a category, based on how the school performs against a target

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Fiscal Health Measures

The CCAP Framework includes three measures to evaluate a school's financial performance



1. Short-term
2. Sustainability
3. Fiscal Controls



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Short-Term Indicators

<p>Days of Cash on Hand How many day of cash on hand does school have to pay its bills?</p>	<p>Cash Flow Projection Will cash received meet obligations each month of budgeted fiscal year?</p>
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Enrollment Variance
Does projected student enrollment support budgeted revenue?

Average Daily Attendance (ADA) to Enrollment Variance
Is projected funded ADA used for budgeted revenue reasonable?

Unduplicated Pupil Percentage (UPP) Variance
Does school's actual UPP funding support operating budget?

Short-Term Indicators

Budgeted Local Control & Accountability Plan (LCAP)
Is school budgeting items that mirror approved LCAP plan, and is spending materially consistent with budget?

Reserve for Economic Uncertainty
Does school have resources to weather economic uncertainties?

Sustainability Indicators

<p>Debt Default Is school meeting its debt obligations?</p>	<p>Multi-year Financial Projections Is school living within its means?</p>
<p>Subsequent Years Cash Flow How much money does school have available to spend?</p>	

Fiscal Controls

<p>County Office of Education (COE) Financial Report Reviews (if any) Is school's governing board receiving copies of COE letters regarding COE's review of school's submitted reports -- if any -- and is the school addressing any COE concerns?</p>	<p>Annual Independent Audit Did auditors provide an unqualified opinion?</p>
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Applying Indicators

Framework Provides:	
Definitions	What terms mean.
Data Sources	What data are used for evaluation.
Formulas	The method to calculate results.
Standards	Meets, or Fails to Meet.
Examples	Simulation using sample school data.
Conclusion	Results of the test: Example Meets or Fails to Meet the standard.
Template	Worksheets to document your work.

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Example: UPP Variance

5. Unduplicated Pupil Percentage (UPP) Variance – “Does the school’s actual UPP funding support the operating budget?”

Definition: UPP variance is the difference between the projected and actual percentage of enrolled students as of the first Wednesday in October of each school year who qualify for Free/Reduced Price Meals, and/or are English Learners, Foster Youth, or Homeless.

“Unduplicated” means that each pupil is counted only once even if the pupil meets more than one of the preceding criteria.

The accuracy of forecasted UPP indicates to the authorizer whether the school is accurately projecting its unduplicated pupil enrollment percentage, thereby generating Supplemental and possibly Concentration Grant funding the school expects to receive under the state Local Control Funding Formula.

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Example: UPP Variance

Data source: Charter School Unduplicated Pupil Percentage on CALPADS 1.17 report.

Formula:

$$\text{Percent Forecast Accuracy} = 100 \times \left[\frac{\text{Actual UPP Percentage}}{\text{Projected UPP Percentage}} \right]$$

Standard:

MEETS STANDARD: Projected UPP variance equals or exceeds 95% of forecast in the current year.

DOES NOT MEET STANDARD: Projected UPP variance is less than 95% of forecast in the current year.

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Example: UPP Variance

Example:

$$100 \times \left(\frac{60\%}{65.5\%} \right) = 91.6\%$$

Conclusion: **Does Not Meet Standard.** UPP variance is below 95% in the most recent prior year.

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Example: UPP Variance

5. Unduplicated Pupil Percentage (UPP) Variance – “Does the school’s actual UPP funding support the operating budget?”

Meets	Does Not Meet			
Reviewer Comments:				
Action Required?	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%; text-align: center; padding: 2px;">Yes</td> <td style="width: 60%;"></td> <td style="width: 20%; text-align: center; padding: 2px;">No</td> </tr> </table>	Yes		No
Yes		No		
Detail Required Action:				

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A Word About Fraud

- Financial oversight not just about fiscal health but also fraud prevention
- A rare but visible and damaging phenomenon
- Everybody lost in A3 scandal: criminals, schools, parents, kids, authorizers, public
- CCAP has formed an Anti-Fraud Task Force:
 - Broad based, representatives of key stakeholders throughout system
- Focus points:
 1. Make sure existing requirements and best practices applied consistently
 2. Make sure everyone knows how to get help if they have concerns
 3. Consider proposals to strengthen the system for prevention and prosecution
- Task Force will issue a report this year: Stay tuned!

<https://calauthorizers.org/anti-fraud-task-force/>

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Other Resources



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Tools, Templates & Samples

- CCAP authorizer toolkits and resources
 - <https://calauthorizers.org/resource-library/>
- Financial Crisis Management and Assistance Team (FCMAT) has tools
 - <https://www.fcmat.org/charter-and-authorizer>
 - Annual Oversight Checklist (updated July 2020):
 - <https://www.fcmat.org/charter-school-oversight-checklist>
 - Charter School Accounting and Best Practices Manual:
 - <https://www.fcmat.org/charter-school-manual>



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County Offices of Education

- They are not just authorizers themselves:
 - They also have some shared responsibility for district-authorized charter schools in the county, including some financial oversight
 - Many also provide support, training, networking for district authorizers in county
- Districts, who are your authorizing points of contact at the COE?
- Seek opportunities to coordinate on county and district monitoring functions
- Seek opportunities for collaboration, joint training opportunities, etc.



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Digital Authorizing Platforms

Various tools available to systematize authorizing related records, reporting, monitoring:

- Some designed specifically for authorizing, including:
 - Epicenter, Charter Tools
 - Other more universal tools but with authorizing-related templates (DTS)
- Front-end adoption work pays off in ongoing ease
- Can be very helpful to charter schools as well
- Some have tools to facilitate charter school's governing board oversight role



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Charter Authorizer Support Initiative (CASI)

- Join the CASI [ListServ](https://www.cde.ca.gov/sp/ch/casicommlist.asp) for updates:
<https://www.cde.ca.gov/sp/ch/casicommlist.asp>
- Check out the [CASI Website](https://www.cde.ca.gov/sp/ch/casi.asp) for resource pages, past programming:
<https://www.cde.ca.gov/sp/ch/casi.asp>
- Save CASI email address for inquiries:
CASI@cde.ca.gov



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CASI Charter Chats

- Monthly Statewide Virtual Meetings - 10:00-11:00 a.m., last Wednesday of each month
- Legislative updates
- **Fiscal updates**
- Other Hot Topics from the Field
- Breakout Groups: By region, by size, by topic
- Q&A
- Recordings, slides, resources from Charter Chats
 - <https://www.cde.ca.gov/sp/ch/casichchats.asp>



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CASI Quarterly Regional Trainings

- Virtual and in-person if sufficient interest.
- Regional (North, Central, and South) or just where interest - usually hosted by partner COEs -- but can be others.
- Previous topics included: Annual Reports & Site Visits, Teacher Credentials, **Fiscal Oversight**, and the Road to Renewal.
 - For session recordings: <https://www.cde.ca.gov/sp/ch/casiqrt.asp>



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April Quarterly Regional Trainings

Survival Tips for Small Authorizers

- Virtual: Friday, April 14, 2023
- In-person:
 - April 19, 9:00 a.m. - noon, Sacramento
 - April 20, 9:00 a.m. - noon, Redding
- Register at <https://www.cde.ca.gov/sp/ch/casiqrt.asp>



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CCAP 2023 California Charter School Authorizers Conference

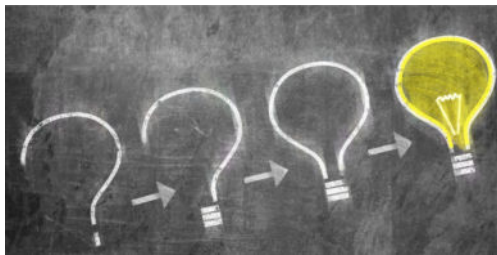
- June 13-16, 2023, Palm Springs
- Starts with CASI Preconference workshop on “Charter Authorizing & Oversight 101” – two half days, June 13 & 14
 - Attend Preconference, main conference, or both
 - Reimbursement for one night’s lodging available to qualified small authorizers
- <https://calauthorizers.org/2023-conference/>



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Final thoughts – And your feedback!



Please complete our short survey!
<https://forms.gle/ZquKa7FyscLGjK Y6>



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Contact Us - CASI@cde.ca.gov

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- Debi Deal, Treasurer, 310.422.2242, debi.deal@calauthorizers.org
- Kimberly Waite-Cooper, Project Support, 916.244.3520, kimberly.waitecooper@calauthorizers.org
- Or info@calauthorizers.org

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Thank You!



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