

FCMAT

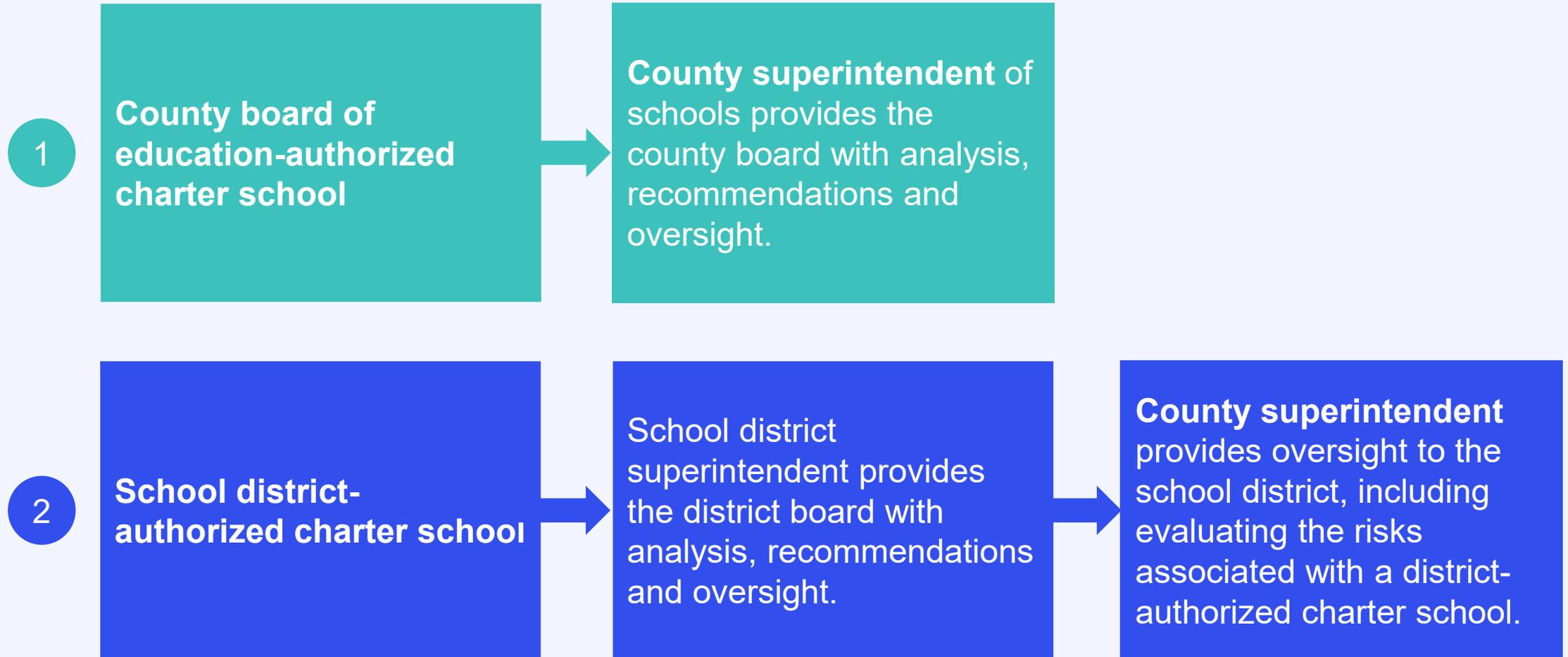
FISCAL CRISIS & MANAGEMENT
ASSISTANCE TEAM

Charter School Oversight

California County Superintendents

October 16, 2023

County Superintendents Have a Dual Role



County Board-Authorized Charter Schools

- The state legislature has granted both the responsibility and the authority for charter school petitions, renewals, revisions, appeals and closures to county boards of education.
 - The county superintendent customarily staffs the county board in these tasks.
 - County superintendent policies and administrative regulations should be established to guide this work.
 - A memorandum of understanding between the county board and the charter school are essential for proper operation, monitoring and oversight of the charter school.

District-Authorized Charter Schools

- The state legislature has granted both the responsibility and the authority for charter school petitions, renewals, revisions and closures to school districts.
 - District superintendent serves as staff in these tasks.
 - District policies and administrative regulations should be established to guide this work.
 - A memorandum of understanding between the district and the charter school are essential for proper operation, monitoring and oversight of the charter school.

Authorization Comes with Oversight

- With authorization of a charter school comes the responsibility to provide oversight.
 - In some cases, certain counties and districts may have oversight responsibility, even if they did not initially authorize the charter school.*
- Education Code (EC) 47604.32 outlines the chartering authority's obligations for oversight, including:
 - Ensuring compliance with state reporting.
 - Monitoring fiscal condition.

*See Assembly Bill (AB) 1505 (Chapter 486/2019).

Oversight of Charter Schools

- The state legislature has granted the authority to provide oversight and intervention to chartering authorities.
- Oversight may involve a new skill set for districts, but it is secondhand for county superintendents.
 - Models and tools exist to help districts and county superintendents with charter school oversight.
- Most oversight of charter schools involves school business topics – accounting, financial reporting, student attendance and other fiscal matters.
 - Adequate oversight also involves instruction, student services, special education, facilities, governance and other charter school activities.

Oversight of Charter Schools (Cont.)

- All oversight should be conducted through a consistent, standard assessment process.
- Oversight may also involve intervention in:
 - Fiscal and student achievement.
 - Other operational areas, e.g., Williams Act compliance.
- It may also include intervention that is both justified based on a legislatively-created structure and customized to the charter school's specific needs.

AB 1200 Fiscal Oversight

- When a district authorizes a charter school, its fiscal risks may increase.
 - A chartering authority is indemnified from a charter school's liabilities if it has complied with all oversight responsibilities (EC 47604(d)).
 - Failing to provide adequate oversight of a district-authorized charter school may place the district at fiscal risk.

AB 1200 Fiscal Oversight (Cont.)

- The county superintendent has a responsibility to add charter school risks to their assessment of the district's fiscal health, and must:
 - Monitor and assess a district's charter school oversight activities to ensure those activities adequately protect the district's fiscal health and financial solvency.
 - Consider any adverse circumstances related to a district-authorized charter school, including the charter school's own financial stability.
 - Provide fiscal intervention as justified that is both based on a legislatively-created structure and customized to the district's specific needs.
 - If the district may be unable to meet its financial obligations because of its charter school, then the county superintendent shall take all necessary actions to ensure the district can meet its obligations.

AB 1200 Fiscal Oversight (Cont.)

- There should be no unanswered questions about how a district maintains its charter oversight responsibilities, particularly in vital areas such as:
 - Accounting.
 - Attendance accounting.
 - Budgeting.
 - Payroll.
 - Review of the charter school's financial reports.

AB 1200 Fiscal Oversight (Cont.)

- County superintendents should also ensure that oversight fees charged by the district are compliant with the Education Code.
 - Oversight charges are based on actual expenditures, capped at either 1% or 3% depending on circumstances (EC 47613).
 - Determining which expenditures are part of oversight costs, their respective amounts, and how they are recorded in the accounting records are important considerations in assessing both the level of oversight provided and the district's compliance.

AB 1200 Fiscal Oversight (Cont.)

- County superintendents should include comments in oversight letters (budget, interims, etc.) related to charter schools authorized by the district, such as:
 - Reminders of oversight responsibilities.
 - Record-keeping of any oversight activity and documentation.
 - Inclusion of charter school financial reports with district materials.

Additional Authority

- Statute provides additional authority to county superintendents regarding charter schools:
 - EC 47604.3: A charter school shall promptly respond to all reasonable inquiries, including, but not limited to, inquiries regarding its financial records, from its chartering authority, **the county office of education** that has jurisdiction over the school's chartering authority, or from the Superintendent of Public Instruction and shall consult with the chartering authority, the county office of education, or the Superintendent of Public Instruction regarding any inquiries [emphasis added].

Additional Authority (Cont.)

- EC 47604.4: In addition to the authority granted by Sections 1241.5 and 47604.3, a **county superintendent of schools** may, based upon written complaints by parents or other information that justifies the investigation, monitor the operations of a charter school located within that county and conduct an investigation into the operations of that charter school. If a county superintendent of schools monitors or investigates a charter school pursuant to this section, the county office of education shall not incur any liability beyond the cost of the investigation [emphasis added].

Additional Authority (Cont.)

- EC 1241.5(c): At any time during a fiscal year, the **county superintendent** may review or audit the expenditures and internal controls of any charter school in his or her county if he or she has reason to believe that fraud, misappropriation of funds, or other illegal fiscal practices have occurred that merit examination ... [emphasis added].

FCMAT Resources for a Deeper Dive

- *California Charter School Accounting and Best Practices Manual:*
fcmat.org/charter-school-manual
- Charter School Annual Oversight Checklist:
fcmat.org/charter-school-oversight-checklist
- Charter Petition Evaluation Matrix:
fcmat.org/PublicationsReports/charter-petition-eval.pdf

FCMAT Tools to Help

- Indicators of Risk or Potential Insolvency list:
fcmat.org/indicators-risk
- Fiscal Health Risk Analysis tool:
fcmat.org/fiscal-health
- Projection-Pro software:
fcmat.org/projection-pro