

ITEM 9
FINAL STAFF ANALYSIS
PROPOSED STATEWIDE COST ESTIMATE

Education Code Sections 47605, Subdivisions (j)(1) and (k)(3), 47605.5, 47607, and 47614

Statutes 1998, Chapters 34 and 673

Charter Schools II (99-TC-03)

Los Angeles County Office of Education
and San Diego Unified School District, Claimants

EXECUTIVE SUMMARY

Summary of the Mandate

The Commission on State Mandates (Commission) has adopted two decisions related to the *Charter Schools* program. On July 21, 1994, the Commission adopted its Statement of Decision finding that Education Code sections 47605 and 47607, as added by Statutes 1992, chapter 781, require new activities related to initial charter school petitions and for monitoring and evaluating the performance of charter schools pertaining to the revision or renewal of approved charters. On November 21, 2002, the Commission adopted its Statement of Decision on *Charter Schools II*, finding that Education Code sections 47605, subdivisions (j)(1) and (k)(3), 47605.5, 47607, and 47614, as added or amended by Statutes 1998, chapters 34 and 673, require new activities that replaces the previously approved mandate in *Charter Schools* for a review process for denied charter petitions.

The claimant filed the *Charter Schools II* test claim on June 29, 1999. The Commission adopted the Statement of Decision on November 21, 2002, and consolidated the new parameters and guidelines for the *Charter Schools II* program with the original test claim on December 2, 2003. The period of reimbursement section of the consolidated parameters and guidelines states that costs for *Charter Schools* already claimed for fiscal years 1998-1999 through 2002-2003 are not reimbursable. Eligible claimants were required to file initial reimbursement claims for *Charter Schools II* with the State Controller's Office (SCO) by June 1, 2004.

Staff reviewed seven actual claims filed by school districts and/or county offices of education for fiscal years 1999-2000 through 2002-2003. Staff assumes that there will not be a significant number of late claims filed because the cost to perform the reimbursable activities for *Charter Schools II* are minimal when compared to the costs already claimed for the original *Charter Schools* mandate, and are less than the \$1,000 minimum for filing an annual reimbursement claim.

The proposed statewide cost estimate includes six fiscal years for a total of **\$206,595**. This averages to \$34,433 annually in costs for the state. The following table details the breakdown of estimated total costs per fiscal year:

Fiscal Year	Number of Claims Filed	Claim Totals
1999-2000	1	\$ 2,042
2000-2001	1	9,419
2001-2002	2	13,844
2002-2003	3	58,943
2003-2004 (est.)	N/A	60,299
2004-2005 (est.)	N/A	62,048
TOTAL	7	\$ 206,595

Staff Recommendation

Staff recommends that the Commission adopt the proposed statewide cost estimate of \$206,595 for costs incurred in complying with the *Charter Schools II* program. If the statewide cost estimate is adopted, staff will report the estimate to the Legislature.

STAFF ANALYSIS

Summary of the Mandate

The Commission on State Mandates (Commission) has adopted two decisions related to the *Charter Schools* program. On July 21, 1994, the Commission adopted its Statement of Decision finding that Education Code sections 47605 and 47607, as added by Statutes 1992, chapter 781, require new activities related to initial charter school petitions and for monitoring and evaluating the performance of charter schools pertaining to the revision or renewal of approved charters. On November 21, 2002, the Commission adopted its Statement of Decision on *Charter Schools II*, finding that Education Code sections 47605, subdivisions (j)(1) and (k)(3), 47605.5, 47607, and 47614, as added or amended by Statutes 1998, chapters 34 and 673, require new activities that replaces the previously approved mandate in *Charter Schools* for a review process for denied charter petitions.

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Discussion

Reimbursable Activities

Charter Schools

Effective January 1, 1999, many activities from the original *Charter Schools* parameters and guidelines were amended by Statutes 1998, chapters 34 and 673, and are reflected in the *Charter Schools II* activities.

Charter Schools II

A. School Districts

1. Review charter school petitions for renewal that are submitted directly to the governing board of the school district that initially denied the charter.¹ Pursuant to Education Code section 47605, subdivision (k)(3), the petition must be submitted prior to expiration of the charter granted by the State Board of Education. (Ed. Code, § 47605, subd. (k)(3).)
2. Notify the charter public school of any violation of Education Code section 47607, subdivision (b), prior to revocation of a charter. Pursuant to Education Code section 47607, subdivision (c), the school shall be given a reasonable opportunity to cure the violation, unless the authority determines, in writing, that the violation constitutes a severe and imminent threat to the health or safety of the pupils. (Ed. Code, § 47607, subd. (c).)

¹ Each renewal is for a period of five years.

B. County Offices of Education

1. Review charter school petitions submitted directly to the county board of education, pursuant to Education Code section 47605, subdivision (b):
 - a. When the governing board of a school district denies a charter school petition and the charter school petitioner submits the petition to the county board of education. (Ed. Code, § 47605, subd. (j)(1).)²
 - b. For charter schools that will serve pupils for whom the county office of education would otherwise be responsible for providing direct education and related services. (Ed. Code, § 47605.5.)
2. Notify the charter public school of any violation of Education Code section 47607, subdivision (b), prior to revocation of a charter. Pursuant to Education Code section 47607, subdivision (c), the school shall be given a reasonable opportunity to cure the violation, unless the authority determines, in writing, that the violation constitutes a severe and imminent threat to the health or safety of the pupils. (Ed. Code, § 47607, subd. (c).)

Statewide Cost Estimate

Staff reviewed seven actual claims filed by school districts and/or county offices of education for fiscal years 1999-2000 through 2002-2003.³ Staff made the following assumptions and used the following methodology to develop a statewide cost estimate for this program. If the Commission adopts this statewide cost estimate, the estimate, including staff's assumptions and methodology, will be reported to the Legislature.

Assumptions

Staff made the following assumptions:

- The claiming data is unaudited.
- The actual amount claimed will increase when late or amended claims are filed, and could exceed the statewide cost estimate. For this program, late claims may be filed until June 2005.
- Significant numbers of late claims will not be filed because the cost to perform the reimbursable activities for *Charter Schools II* are minimal when compared to the costs already claimed for the original *Charter Schools* mandate and are less than the \$1,000 minimum for filing an annual reimbursement claim.
- The statewide cost estimate of this program will increase if the number of charter schools increase, the number of charter school petitions filed in fiscal year 2004-2005 increases and/or the number of eligible claimants increases.

² As amended by Statutes 1998, chapter 673. As amended by Statutes 1998, chapter 673. This replaces the previously approved activity in the original *Charter Schools* parameters and guidelines related to "Petition Appeals." (Ed. Code, § 47605, subd. (j), as added by Stats. 1992, ch. 781; replaced by Stats. 1998, ch. 673.)

³ Claims data reported by the SCO as of July 9, 2004.

- The costs of this program will decrease if the number of charter schools declines and/or the number of eligible claimants declines.
- Any reimbursement claim for this program may be reduced by the SCO if it is audited and deemed to be excessive or unreasonable. Therefore, the total amount of reimbursement for this program may be lower than the statewide cost estimate.

Methodology

1999-2003 Costs

The proposed statewide cost estimate for fiscal years 1999-2000 through 2002-2003 is based on seven unaudited, actual reimbursement claims.

2003-2005 Projected Costs

Staff projected totals for fiscal year 2003-2004 by multiplying the total on 2002-2003 reimbursement claims by the implicit price deflator for 2002-2003 (2.3%), as forecast by the Department of Finance. Staff projected totals for fiscal year 2004-2005 by multiplying the 2003-2004 projection by the implicit price deflator for 2003-2004 (2.9%).

The proposed statewide cost estimate includes six fiscal years for a total of **\$206,595**. This averages to \$34,433 annually in costs for the state.

Following is a breakdown of estimated total costs per fiscal year:

Table 1. Estimated Total Costs per Fiscal Year

Fiscal Year	Number of Claims Filed	Claim Totals
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