

**Issue**

We are proposing renewal of our cash advance program for charters new to the SELPA in 2013-14.

**Background**

When a charter joins the SELPA, state aid cash for the first year does not flow until February/March (year 1) and is then further delayed by state deferrals. In the 2<sup>nd</sup> year, the advance apportionment provides a monthly cash flow per the state schedule (subject of course to state cash deferrals). By January 2014, the state formula provides for 55% of the charter state aid entitlement to be advanced (for all but new charters in the SELPA).

In 2011-12, CEO Council approved continuing the program using SELPA set-aside funds and charging 2% above the interest rate earned in the county treasury. \$780,000 was available for cash advances, however only two charters applied for a total advance of \$175,000. County treasury earnings have been less than 1%, so the rate has been in the range of 3%. In order to receive a cash advance, the previous cash loan program required a charter to submit to EDCOE the most recent audit report and a guarantee of repayment. We limited the program to existing charter members because of concern of liability relative to new start up charters.

In 2012-13, the program became open to all new members, including start up charters. \$1 M. was available, and \$971,000 was requested. Because the new cash advance program requires opening month enrollment verification, is only 25% of estimated annual funding, and we control the repayment process by deducting repayments from future apportionments, we believe any potential risk is minimized. The program operated successfully in 2012-13 and we do not anticipate any repayment issues.

***Documentation due:***

September enrollment counts. For new charters, the 20 day enrollment report filed with CDE. For existing charters, we would request a summary of the first 20 days of enrollment.

***Funding amount:***

Based on opening enrollment counts time a factor of 95%, we would estimate 2013-14 ADA.

State funding for 2013-14 would be estimated based on this ADA amount. We estimate that \$1.2 M. would allow us to fund 25% of the estimated annual funding.

***Funding date:***

We would request that all cash advance requests and documentation be submitted by October 1.

We would release the advance in one payment on October 15, but no later than November 1.

Repayment of advance and interest would start in February 2014 through a deduction in the monthly special education apportionment.

EDCOE will continue to administer the cash advance program as part of SELPA administrative duties. No cash apportionments will be sent to the charter until advance is fully repaid including interest.

**Recommendation**

Information Item. No action is required by the CEO Council.

We will continue the program in 2013-14 under the same conditions as 2012-13.