

Issue

We have successfully provided a cash flow advance program for two years and we are proposing it be continued for 2012-13.

Background

When a charter joins the SELPA, state aid cash does not flow until February/March (year 1). In the 2nd year, the advance apportionment provides a monthly cash flow per the state schedule (subject of course to state cash deferrals).

In 2010-11, EDCOE provided cash advances to new charters in the SELPA, who do not receive state aid until February/March. Eligibility for the cash advance was \$3.6 million, but only \$2 million was requested and advanced in 2010-11. EDCOE charged 1% over the rate of interest earned in the county treasury, average rate totaled 1.30% (1% + .30%) or approximately \$13,000.

In 2011-12, the Charter SELPA funded the program by using funds available in the Set Aside pool (~\$1m), using the same model as in 2010-11, but increasing the interest to 2% above the county treasury. There were 22 charter schools eligible to participate in the cash advance program, however only two charters participated for a total advance of \$175,000.

Currently interest (rate earned by the county treasurer) is less than .30% (roughly a third of a percent). All interest stays with the set aside and a pro-rated share accrues to each individual charter set aside.

EDCOE will continue to administer the cash advance program as part of SELPA administrative duties. Should the SELPA set aside funds not be sufficient to meet all the cash advance needs, EDCOE may choose to provide funds as well, depending upon cash availability. EDCOE would receive the same level of interest earnings, county treasury rate plus 2%.

Eligibility Criteria:

- A charter must have been in operation in 2011-12
- Start-up charters in 2012-13 are not eligible, except as provided as follows:
 - Startup charters who are managed by a CMO may qualify with CMO guarantee for repayment
- The most current audit report must be free of significant findings
- Granting of a cash advance to a charter is totally at the discretion of EDCOE and any concerns EDCOE may have about the fiscal or programmatic operation of a charter may result in the denial of a cash advance request.

Recommendation

The Charter SELPA extends the 2011-12 cash advance program into 2012-13 for those charters meeting the established criteria.