

## ***EXECUTIVE DIRECTOR'S REPORT***

**June 29, 2017**

*The mission of the YPI Charter Schools (YPICS) is to prepare students for academic success in high school, as well as post--secondary education; prepare students to be responsible and active participants in their community; and enable students to become life-long learners. Students at YPI Charter Schools will become active citizens who characterize the ideals of a diverse and democratic society. Students will provide service to their community, take responsibility for their own learning, and develop the habits of mind and body that will empower them to be successful in high school and beyond.*

### **CCSA:**

#### **CCSA Responds to Federal Government's Proposed FY18 Budget May 23, 2017**

We are concerned by the deep cuts included in the proposed FY 2018 budget released today by the federal government, including \$54 billion in overall cuts to non-defense discretionary spending, of which \$9 billion would come from the Department of Education. The proposed budget does not maintain FY 2017 IDEA funding levels and reduces the Title 1 Part A formula funds. Such cuts would have widespread and long-term negative impacts on the most vulnerable students, families and communities across our state and country.

We appreciate the Administration's proposed increased investment in the Charter Schools Program (CSP) by \$158 million, critical funding needed to grow and replicate high quality charter schools to meet the needs of families seeking the charter school option. However, we acknowledge that public schools are impacted by programs outside of the CSP, like nutrition assistance to health to housing.

Sustaining charter schools and all public schools requires great investments at all levels. We urge the federal government to consider the implications of the budget overall for our families and communities. Specifically, we call on Congress to sustain and increase its overall investment in public education funding to meet the needs of all public school students, including charter and district school students.

### **National:**

***From the California Association of School Business Officials (CASB) -***

#### **Proposed Federal Education Budget**

*By Sara C. Bachez and Elizabeth Munguia, Governmental Relations*

On Tuesday, May 23, 2017, the federal administration released their full budget proposal. The proposed budget requests \$59 billion in discretionary appropriations for the Department of Education in fiscal year 2018, a \$9 billion or 13 percent reduction below the 2017 annualized Continuing Resolution (CR) level. The request includes \$1.4 billion to support new investments in public and private school choice. In all, the budget seeks to cut \$11 billion from education spending. The budget document is an opening bid in what will be a protracted negotiation with Congress over funding for fiscal year 2018, which begins Oct. 1. A

highlight of the proposals is below.

**Major Eliminations:** The budget eliminates the Supporting Effective Instruction State Grants program (Title II-A), saving \$2.4 billion, the 21<sup>st</sup> Century Community Learning Centers program, saving \$1.2 billion and the Comprehensive Literacy Development Grants, saving \$189.6 million.

**Charter Schools:** The budget provides \$500 million for federal charter school grants (up 50 percent over current funding), \$168 million more than this year's budget, and \$250 million in "Education Innovation and Research Grants" that would support expanding and studying private school vouchers. The budget also provides a \$167 million increase for the Charter Schools program to help States start new charter schools or expand and replicate existing high-performing charter schools while providing up to \$100 million to meet the growing demand for charter school facilities.

**Special Education:** The budget maintains \$12.7 million for the Individuals with Disabilities Education Act (IDEA) formula grant programs, which help support services for the 6.8 million children with disabilities nationwide and States in their ongoing work to design and implement program improvement efforts under the Department's Results Driven Accountability framework.

**Title I:** The budget shifts \$1 billion in Title I to be used for a new grant program called Furthering Options for Children to Unlock Success (FOCUS) for school districts that agree to allow students to choose which public school they attend. Federal, along with state and local dollars, would follow the student as they transfer among public schools.

**Supported Programs:** The budget provides \$736 million for the English Language Acquisition program, \$374 million for the Migrant Education program, \$175.5 million for rural school districts, \$143.7 million for Indian education grants, \$47.5 million for neglected and delinquent education and almost \$70 million for homeless children and youth.

**Cuts for Specific Populations:** The budget cuts smaller programs designed to help specific populations of students, including \$15 million from a program that provides child care for low-income parents in college, \$12 million from gifted students, \$12 million from the Special Olympics, \$65 million from Native American and Native Hawaiian students, two international education and foreign language programs, and \$27 million from arts education.

**College Loan and Grant Programs:** The budget maintains funding for Pell Grants for students in financial need but considers eliminating the \$700 million Perkins Loan program, cut nearly half (\$490 million) of the Federal Work-Study program, and step towards ending the federal subsidies for loans. It also ends the Public Service Loan Forgiveness Program, which allows people employed by governments (including teachers) or nonprofits to have federal student loans forgiven after 10 years of on-time, monthly payments. The budget replaces five income-driven student loan repayment plans with a single plan and supports year-round Pell Grants by aiming to increase available funds by \$16.3 billion over 10 years. It also eliminates the Federal Supplemental Educational Opportunity Grant program, saving \$732 million. In addition, it holds funding flat at \$492 million for programs that serve high percentages of minority students, such as the Historically Black Colleges and Universities and Minority-Serving Institutions.

**Career Technical Education (CTE):** The budget cuts \$166 million for CTE by providing \$949.5 million and cuts \$95 million in Adult Education by providing \$485.8 million.

**Cut in Other Programs:** The budget cuts the Perkins program, which gives grants to schools and colleges for career education, by 15 percent or \$168 million; adult basic literacy instruction, which would lose \$96 million (down 16 percent); and Promise Neighborhoods, an initiative meant to help build networks of support for children in needs communities, would lose \$12 million (down 18 percent). No additional

funding for student support and academic enrichment such as mental-health services, anti-bullying initiatives, physical education, Advanced Placements courses and STEM instruction. The budget cuts another \$193 million by providing \$808 million for the Federal TRIO Programs and \$219 million for GEAR UP but funds their continuation awards only.

**Innovation:** The budget supports \$616.8 million for the Institute of Education Sciences for continued research, \$370.0 million for Education Innovation and Research to expand evidence-based initiatives that help States and LEA's meet ESEA requirements and includes an increase of \$250 million to support a competition to develop and evaluate projects that operate private school scholarship programs. The budget also includes \$42 million to support teachers and principals from nontraditional preparation and certification routes who serve in high-need LEA's.

**Operational:** The budget asks for another \$158 million in salaries at the department for student loan servicing, IT security, auditing, investigations, and security for DeVos, as the department seeks to reduce the roughly 4,000-member agency's overall workforce by about 150 people. The budget also seeks \$106.8 million for the Office for Civil Rights.

### ***From the National Alliance for Charter Schools -***

#### **Charter Schools Receive an Increase in the FY2017 Funding Bill**

**FY 2017** - President Trump [signed](#) the fiscal year (FY) 2017 Omnibus Appropriations [bill](#), which will fund the Federal Government through October 2017. The bill funds the U.S. Department of Education (ED) at \$68.24 billion and provides a \$9 million increase to the federal Charter Schools Program (CSP) for FY 2017 for a total of \$342 million.

**FY 2018** - FY 2018 will begin on November 1, 2017. The National Alliance has been working with Congress, the Administration, and the charter school community to increase funding for CSP in FY 2018. As a result of these efforts:

- Thirty-one Representatives, including members from both parties, indicated their support for an increase in the CSP.
- Twelve Senators, both Republican and Democrat, have signed on to letters of support for a CSP funding increase. This is the largest number of supporters to ever submit written support of the CSP program to their respective appropriations committees.
- The Trump Administration submitted its [FY 2018 budget request](#) to Congress. The President requested a \$158 million-dollar increase for the CSP that will provide critical funding for new charter schools. The National Alliance issued a [statement](#) of support for the CSP increase, while also expressing dismay at funding cuts for programs that protect and support children, and asking that the budget caps on domestic discretionary non-defense spending be lifted.

#### **State:**

#### ***From School Services of California –***

#### **Funding CalSTRS and CalPERS**

In the late 1990s and early 2000s, both pension systems were fully funded and the pension benefits were increased at that time. Since then investment returns declined, creditable compensation increased more than predicted, and retirees have been living longer than anticipated. As the increasing pension contributions apply more pressure on local school agency budgets, we continue to receive questions as to why the employer contribution rates are more than doubling from 2013-14 through 2020-21.

**Employer Contribution Rates**

The California State Teachers’ Retirement System (CalSTRS) employer contribution rate was 8.25% for many years—from 1990 through 2013-14. The funded status of the CalSTRS plan had been declining from being fully funded in 2000-01 to only 69% funded in 2010-11. As part of the enactment of the 2014-15 State Budget, the Legislature and Governor approved Assembly Bill (AB) 1469 (Chapter 47, 2014). AB 1469, billed as the “CalSTRS Funding Plan”, implemented a schedule of increasing contribution rates for the state, employees, and employers. Employers bear the most significant portion of these increases, as follows:

<b>2013-14 (Base Year)</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>
8.25%	8.88%	10.73%	12.58%	14.43%	16.28%	18.13%	19.1%

Up until this time the CalSTRS Board did not have authority to change contribution rates—legislation had always been required. With the implementation of AB 1469 the CalSTRS Board has the authority to increase the employer contribution rate after 2020-21 by up to 1% per year to a maximum rate of 20.25%, which would be an additional 1.15% beyond the scheduled increases above (Education Code Section 22950.5).

The California Public Employees’ Retirement System (CalPERS) Board has the authority to change the employer contribution rate and typically takes action in May of each year to set the rate for the next fiscal year. While there are no employer contribution rate increases scheduled in statute, as was done for the CalSTRS program, CalPERS provides estimated future rates to allow local school agencies to prepare multiyear financial plans. The actual employer contribution rates, along with the current estimated future rates for the same time frame as the above CalSTRS rates are as follows:

<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>
11.442%	11.771%	11.847%	13.888%	15.531%	18.1%	20.8%	23.8%

The future estimated rates from CalPERS continue to increase beyond 2020-21 up to 27.3% for 2024-25.

**Funding Sources**

The funding sources for paying the pension benefits of both systems consist of the following:

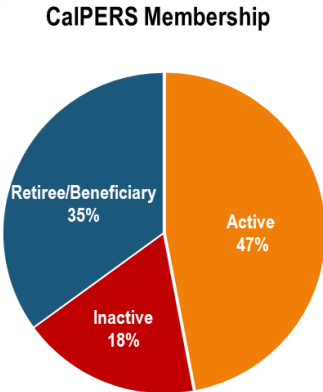
- Investment earnings
- Employer contributions
- Member contributions
- State contributions (CalSTRS only)

Most of the cost of pension benefits is funded by investment earnings—62% for CalPERS and 58% for CalSTRS—and the rest is funded by contributions. Therefore, the assumed rate of return on investments plays a big part in determining the funded status of the retirement plans—the higher the assumed rate, the higher the funded status and the inverse is true as well.

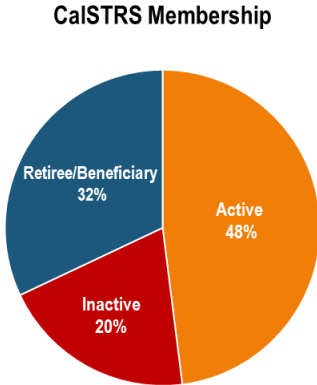
Both systems have recently reduced their assumed rate of return on investments from 7.5% to 7.0% over the course of two to three years, which will reduce the funded status of the plans. The CalPERS employer contribution rates estimated above reflect this investment return reduction, but the CalSTRS employer contribution rates currently in statute were enacted before the reduction in the assumed rate of return.

The net inflows and outflows for both pension systems are also driven by the makeup of the membership. The charts below illustrate the membership in each system:

**CalPERS Membership**



**CalSTRS Membership**



As can be seen above, the number of pension receivers (retirees and beneficiaries) is greater than the number of active members. For both systems, less than half of the members are paying contributions into the plans. This situation increases the reliance upon investment earnings as the major source of funding for retirement benefits.

**Conclusion**

While contributions to the systems are critical to the solvency of the basic retirement plans, the return on investments is key. Both pensions systems employ professional investment experts but they can be restrained in their investment choices by restrictions imposed by the Legislature or their own governing boards. As local school agencies plan for the increasing contributions we should keep our eyes on the CalSTRS and CalPERS investment returns and their impact on the funded status of the plans—these will drive the employer contribution rates of the future. Stay tuned . . .

**2016-17 Second Interim Report Negative and Qualified Certifications**

The California Department of Education (CDE) has released the results of the 2016-17 Second Interim reporting by local educational agencies (LEAs). The number of negative certifications decreased by one at Second Interim, but the number of qualified certifications increased significantly up to 41 LEAs certified

from 31 LEAs at the 2016-17 First Interim reporting period.

The sharp increase in the number of LEAs certified as qualified is likely due in part to the continued compounding increases for the employer contributions to the California Public Employees’ Retirement System (CalPERS) and the California State Teachers’ Retirement System (CalSTRS). Employer contribution rates for both retirement systems increase significantly by 2018-19, the third year of the multiyear projection, to 18.1% for CalPERS and 16.28% for CalSTRS. The increases put the squeeze on LEA base grant dollars because the state has not provided any additional funding to support the employer rate increases. This issue, combined with the continued effort needed to support new programs and employee compensation as the Local Control Funding Formula (LCFF) is almost at full implementation, creates an impossible challenge for LEAs to manage within the LCFF framework.

The CDE does not have information to determine whether a school district has self-certified as qualified or negative or if the applicable oversight agency required the LEA to lower its certification. LEAs that have self-certified as qualified or negative should be taking the necessary steps to provide public notice acknowledging the pending fiscal challenges and the measures they will take to resolve projected financial problems. The classifications come from the LEAs’ certified budgets in March 2017, which cover the period ending January 31. As a result of the time lag, some LEAs may have already made budget adjustments to change their financial condition of negative or qualified status.

### Negative Certification

A negative certification is assigned to a school district or county office of education when it is determined that, based upon current projections, the LEA will not meet its financial obligations for fiscal year 2016-17 or 2017-18.

<b>Number</b>	<b>County</b>	<b>LEA</b>	<b>Total Budget (in Millions)</b>
1	San Luis Obispo	San Miguel Joint Union	\$5.2
2	San Mateo	San Bruno Park Elementary	\$30.3

### Qualified Certification

A qualified certification is assigned to an LEA when it is determined that, based upon current projections, the LEA may not meet its financial obligations for fiscal year 2016-17, 2017-18, or 2018-19.

<b>Number</b>	<b>County</b>	<b>LEA</b>	<b>Total Budget (in Millions)</b>
1	Alameda	Newark Unified	\$66.6
2	Alameda	Oakland Unified	\$540
3	Butte	Feather Falls Union Elementary	\$0.5
4	Calaveras	Calaveras Unified	\$31.4
5	Contra Costa	John Swett Unified	\$19.0
6	El Dorado	Black Oak Mine Unified	\$12.7
7	El Dorado	Gold Trail Union Elementary	\$6.4
8	Fresno	Coalinga-Huron Joint Unified	\$56.5
9	Lake	Konocti Unified	\$42.0
10	Los Angeles	Burbank Unified	\$162.7
11	Los Angeles	Inglewood Unified	\$127.1
12	Los Angeles	Los Angeles Unified	\$7,349.4
13	Los Angeles	Montebello Unified	\$351
14	Los Angeles	San Gabriel Unified	\$60.1

Number	County	LEA	Total Budget (in Millions)
15	Los Angeles	Torrance Unified	\$250.8
16	Los Angeles	Wilsona Elementary	\$17.2
17	Marin	Lagunitas Elementary	\$3.8
18	Marin	Sausalito Marin City Elementary	\$6.2
19	Marin	Union Joint Elementary	\$0.3
20	Napa	Napa Valley Unified	\$179.2
21	Placer	Colfax Elementary	\$3.5
22	Riverside	Banning Unified	\$59.0
23	Riverside	Coachella Valley Unified	\$257.7
24	Riverside	Temecula Valley Unified	\$286.4
25	San Benito	Bitterwater-Tully Elementary	\$0.4
26	San Bernardino	Colton Joint Unified	\$264.4
27	San Bernardino	Rim of the World Unified	\$40.9
28	San Bernardino	Upland Unified	\$111.3
29	San Diego	Mountain Empire Unified	\$22.4
30	San Diego	Oceanside Unified	\$218.3
31	San Diego	San Diego Unified	\$1,389.8
32	San Diego	San Marcos Unified	\$216.5
33	Santa Barbara	Cuyama Joint Unified	\$0.5
34	Santa Clara	Lakeside Joint Elementary	\$2.0
35	Shasta	Oak Run Elementary	\$0.8
36	Shasta	Whitmore Union Elementary	\$0.6
37	Sonoma	Santa Rosa Elementary	\$180.1
38	Sonoma	Santa Rosa High	*
39	Sonoma	West Sonoma County Union High	\$25.7
40	Trinity	Mountain Valley Unified	\$5.2
41	Ventura	Oxnard Union High	\$197.0

### LAO Analyzes Future Property Tax Revenue Growth

Property taxes are California’s second largest source of revenue, providing more than \$55 billion annually for local governments with school and community college districts receiving the bulk of the funding. Under the state’s education finance system, the amount of school funding each year is set according to Proposition 98, which is paid for with a combination of local property tax revenue and state General Fund revenue. Since increases in property tax revenue allow the state to decrease their General Fund commitment, the state greatly benefits from additional property taxes. In recent years, due to the aging of California’s homeowners, the state has seen declining property sales and depressed tax growth. However, a new report released by the Legislative Analyst’s Office (LAO) concludes that as California’s homeowners continue to age, these trends are likely to reverse, resulting in a rise of home sales and an increase in property tax revenue.

The LAO, the Legislature’s nonpartisan fiscal advisor, released their report entitled, “How Will Aging Baby Boomers Affect Future Property Tax Revenues?” on June 20, 2017. This report analyzes how the aging homeowner population will likely lead to more home sales and an increase in future property tax revenues.

The LAO asserts that several factors have contributed to declining property turnover, including Proposition 13 and the share of homes owned by those in the 55 to 75 age range. Since property taxes under Proposition 13 are based on the purchase price of a property rather than its market value, property tax revenue growth is driven by property turnover. This means that turnover in certain homes, those with long-tenured owners and significant past appreciation in their market values, generate the largest surge in

property tax revenue. However, the long-tenured homeowners in the 55 to 75 age range, who own the largest share of homes in California, are less likely to sell their homes than those that are younger or older than them.

The report contends that while the aging of California homeowners have depressed home sales in past years, this pattern is likely to reverse in the future as those in the 55 to 75 age range transition into the over 75 age group. Those transitioning into the over 75 age group will begin to downsize, move into assisted living or with family, or pass away, which will result in an increase of home sales. According to the report, between 2003 and 2013, more than two-thirds of homes in California with owners 75 or older were sold to a new owner, compared to fewer than one-third of homes with owners in the 55 to 75 age group.

The report explains that the potential for future property tax gains will vary across communities, and the key factors will be the concentration of older homeowners and the home appreciation value. This means that communities with higher concentrations of homeowners over 75 will see a rise in property tax revenue, but the extent of this revenue bump will also depend upon the home appreciation value.

While the LAO expresses confidence that property tax revenues will rise in the future, they do provide a caveat that could have a notable impact on these revenues. This caveat is Proposition 58 (1986), which amended the California Constitution to allow children to inherit their parent's lower taxable property value. The LAO estimates that in 2014-15 parent-to-child exclusions reduced statewide property tax revenues by around \$1.5 billion from what they would be in the absence of the exclusion. Additionally, the LAO has found that communities with older homeowners also had more parent-to-child exclusions. This means that if an uptick in exclusions were to occur, it could erode some of the potential future property tax gains.

***From Stanford University's Center for Research on Education Outcomes –***

**CREDO at Stanford University Releases National Charter Management Organization Study  
STANFORD, Calif.**

Stanford University's Center for Research on Education Outcomes (CREDO), released today a comprehensive report titled Charter Management Organizations 2017. This report provides an update to CREDO's Volume II of the CGAR study released in 2013 and includes new areas of analysis. This report examines how different school management structures impact the academic growth of charter school students and identifies measures of effectiveness of scale and business practices across the charter sector in U.S. K-12 public education.

"On the whole, the findings in this study show that attending a charter school that is part of a larger network of schools is associated with improved educational outcomes for students. However, the management arrangements of the network provider influence the typical gains that students make," said Dr. James Woodworth, Senior Quantitative Research Analyst for CREDO at Stanford University.

**Key Findings**

This study uses data from the 2011-12 to 2014-15 school years across 24 states, New York City and Washington D.C.

- Charter school organizations have their strongest effects with traditionally underserved populations, such as black and Hispanic students.
- Charter school operators that hold non-profit status post significantly higher student academic gains than those with a for-profit orientation. For-profit operators have results that are at best equal to the comparison traditional public school students in reading or



worse in math.

- Even after controlling for differences in student populations, the effectiveness of charter school organizations varies across states.
- Schools that contract with external vendors for much or all of the school operations post significantly lower results than network operators that maintain direct control over their operations.
- Online schools continue to present significantly weaker academic performance in reading and math compared with their counterparts in conventional schools.

“As this study shows, there is still much work to be done in regulating and maintaining the pool of charter school networks. The effectiveness of charter school organizations varies across states and across networks, but the networks that are achieving significant and positive growth can serve as a model for best practices in these instances,” Dr. Woodworth said.

**LAUSD:**

On June 30, 2017 Board President Steve Zimmer and Board Member Monica Ratliff’s terms will expire. We wish them well and we thank them for their service. New board members Kelly Fitzpatrick Gonez and Nick Melvoyn will take office on July 6, 2017.

**YPICS:**

LAUSD OIG General Audit: We are in receipt of the DRAFT LAUSD OIG Report. As of now, according to the draft report, “YPI Charter Schools, Inc, in all material aspects complied with its’ charter agreement.” The report also recommends areas of improvement. We have been given until **July 7, 2017** to respond to the DRAFT report. The FINAL report will be provided to YPICS Board when it has been received.

CSD Letter of Concern: We are in receipt of a letter of concern from the LAUSD CSD, the letter is available in Board on Track as part of this board packet. The letter states that there was a complaint filed for each of our three schools. As we have begun to investigate the concerns we have evidence that the concerns were from the two middle schools and not the high school. We are have almost completed our investigation and the CSD would like us to respond by **July 14, 2017**. We will provide the YPICS Board with the response once our investigation is completed.

CAASPP Data: We have not yet received all of our CAASPP results from the Spring 2017 test cycle. Primarily data is being analyzed. The Administrative Teams will continue to review and analyze the data for a complete data conversation early July. An action plan will be developed with stakeholders, which includes the LCAP, and will officially begin the next LCAP process for the 2017-2018 school year, to address areas of weakness and or deficits and will be ready for Board review by the end of August.