



March 2, 2019

### **Required Transfer of District Funds to Olive Grove Charter School**

I'd like to take an opportunity to update the community on the serious fiscal situation that we face regarding a required transfer of funds to the Olive Grove Charter School ("Olive Grove") site in Buellton.

Although four local district boards (Santa Ynez, Santa Barbara, Santa Maria and Lompoc) and the county board denied Olive Grove Charter School's Charter Petitions, on July 11, 2018, the California State Board of Education ("SBE") approved all four Olive Grove petitions.

The SBE has the oversight authority over all four Olive Grove schools. The SBE did not designate a sponsoring local educational agency ("SLEA") and, as result, the Santa Ynez Valley Union High School District ("District"), as the local educational agency that first denied the Charter, is designated by law as the SLEA for the Buellton site. This means the District is responsible for annually transferring "in lieu of property tax" (ILPT) dollars to Olive Grove. Laura Mudge, Olive Grove's Executive Director, has publicly stated that she expects the District to transfer between \$1 million and \$1.2 million for the 2018-2019 school year. This number will continue to grow if Olive Grove's enrollment grows, regardless of whether that enrollment is supported by students who reside in our local community or by students from other districts. If the District does not take action, the District will continue to be responsible for the transfer of the ILPT for the duration of Olive Grove's current petition term (through 2023) and beyond if the Olive Grove Charter is renewed. This would result in an annual ILPT transfer of \$1.2 million or more.

### **Charter School Funding**

California's funding scheme for school districts and charter schools can be confusing. The District is a "basic aid" district. As a basic aid district, we receive our per pupil funding via local property taxes without any additional supplement from the State of California. This is because our property taxes amount to a total greater than the state's per pupil funding guarantee. A district, such as Lompoc Unified School District, that receives funding via a combination of property tax and state aid to reach the state's per pupil funding guarantee, is identified as a "state aid" district.

Olive Grove's operation poses a fiscal crisis for the District. The ILPT represents approximately ten percent of the District's total annual budget. What is so problematic for the District is not that Olive Grove receives funding for the students who choose to attend that school, but that much of that funding comes directly from the District, rather than the State of California, which is the norm for charter student funding.

The District is required to provide Olive Grove the entire per pupil funding for each District resident who attends Olive Grove, and inexplicably, is also required to cover a large percentage of the per pupil education funding for each Olive Grove student who resides outside of the District without repayment from the State. This is true even though that is funding that is intended for the District to spend on District students pursuant to the basic aid funding system.

Conversely, while the state aid districts (such as those in Santa Maria and Lompoc) are required to transfer ILPT to Olive Grove for the campuses in their boundaries, the State will subsequently “backfill” those districts the entire amount that they send to Olive Grove, which makes sense since the State, not individual school districts, is responsible for funding charter schools.

### Next Steps

In December, Olive Grove sent a demand to the District requesting the transfer of \$696,586 in ILPT transfers. Given the immediate and significant impact on the District’s budget, including the reductions in funding of staff, facilities, and programs that will be necessitated by this transfer of ILPT to Olive Grove, we are diligently working to investigate and pursue all options that would support the District in minimizing the impact on the budget, while still supporting the needs of our resident students. We will seek SBE approval and authorization for some of these options, including:

- Request that the SBE waive the requirement that the District transfer ILPT to Olive Grove.
  - All stakeholders will be consulted (employee groups, DELAC, parents, community members, etc.) about a need to express to the SBE and policy makers that this is a dire situation for our District.
  - SBE meeting in March 2019 to provide input on our situation.
  - Submission of the Waiver Request to SBE as quickly as possible.
  - SBE meeting agenda in May 2019
- Request that SBE designate a different, state aid school district to be the SLEA for Olive Grove’s Buellton school. In this arrangement, the state aid district would be fully reimbursed for the funding it transfers to Olive Grove and the illogical and seemingly unintended consequence of requiring the District to fund the charter school to the severe detriment of local students would be avoided.

We are committed to pursuing alternative options that meet the needs of all students – both charter and non-charter – and are equitable and fair to the members of the Santa Ynez Valley Union High School District community. As stewards of public funds, we take very seriously our obligation to manage our budget effectively in ways that align with our community goals and values, as identified in our Local Control and Accountability Plan, and to instill trust in our decision-making. We appreciate your support in this process as we continue to work through options.