RULE REVIEW

A review of recently adopted state board rules affecting charter schools

April 2010
Overview

Adopted March 26, 2010:

- Rule 6A-6.0785, F.A.C. Charter School Applicant Training Standards

Visit the Charter School Statutes and Rules page of the School Choice website for a link to each rule text and additional updates.
The purpose of the rule is to:

- Establish a format for the monthly financial statement a charter school must submit to its sponsor.

- Define and establish procedures for determining a deteriorating financial condition.

- Establish procedures for developing corrective action and financial recovery plans.
Monthly Financial Statement Components:

- Projected enrollment for the current school year.
- Actual enrollment at the time the statement is submitted.
- A balance sheet with assets, liability, and fund balances.
- A year-to-date comparison of budgeted vs. actual revenues and expenditures.
- Notes to the monthly financial statement to include other material information.
Financial Condition

Additional reporting requirements:

- Sponsor shall determine method of preparation based on cash or accrual basis.
- Charter schools and sponsors shall agree in writing on monthly submission deadline.
- Statements shall be formatted using Red Book accounts and codes.
- Statements are not required to be prepared by an independent certified public accountant.
Financial Condition

A deteriorating financial condition is:

- A circumstance that significantly impairs the ability of a charter school to generate enough revenues to meet its expenditures without causing the occurrence of a condition described in s. 218.503(1), F.S.

- A circumstance that has resulted or will result in the occurrence of a condition described in s. 218.503(1), F.S., if action is not taken to assist the charter school.

Section 218.503(1), F.S. – also referred to as “financial emergency conditions.”
A deteriorating financial condition may be identified by:

- The sponsor, through a review of the charter school’s monthly financial statements.
- The auditor, after performing the annual financial audit.

If the auditor determines a deteriorating financial condition exists, he or she shall notify each member of the charter school’s governing board.
A charter school may be subject to expedited review if one of the following occurs:

- Failure to provide an annual audit.
- Failure to comply with reporting requirements.
- Identification of a deteriorating financial condition.
- Notification that one or more of the conditions specified in s. 218.503, F.S., has occurred or will occur if action is not taken to assist.
Expedited review:

- The sponsor shall notify the governing board within 7 business days after one or more of the conditions occur.

- Within 30 days after the notification is received, the governing board and the sponsor shall develop a corrective action plan and file it with the Commissioner.

- The Commissioner will maintain a record of the plan for an annual report to the State Board of Education.
The corrective action plan shall include:

- **Condition that initiated the development of the plan**, including the 3 most recent monthly financial statements and the most recent annual audit if a deteriorating financial condition.

- **Actions that will be taken to resolve the condition**, including a timeline.

- **Governing board’s procedures for monitoring implementation.**

- **Schedule for progress reports to the sponsor.**

- **Additional components deemed necessary and agreed upon.**
Corrective action plans developed as a result of a deteriorating financial condition or notification of a financial emergency condition necessitate additional action:

- Upon receipt, the Commissioner shall review and determine within 30 days if the strategies identified in the plan adequately address the financial challenges facing the charter school.

- The Commissioner may determine that the plan is insufficient and a financial recovery plan is needed to resolve the condition.
If a charter school is determined to be in a state of financial emergency:

- The Commissioner shall notify the charter school that a financial recovery plan is required.

- The charter school governing board shall develop and file a financial recovery plan within 30 days after being notified.

- The financial recovery plan shall replace the existing corrective action plan.
The financial recovery plan shall include:

- Condition that resulted in the financial emergency determination.
- Actions that will resolve or prevent the condition, including a timeline.
- Governing board’s procedures for monitoring implementation.
- Schedule for progress reports to the sponsor.
- Additional components deemed necessary by board.
Correspondence:

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Financial Condition

Frequently Asked Questions:

• When is a corrective action plan required?

• What happens if the governing board and the sponsor cannot agree on the components of the plan?

• What happens if the governing board and the sponsor take longer than 30 days to file a corrective action plan?
Additional Resources

Statutes and Resources:

- Section 218.39, F.S.
- Section 1002.345, F.S.
- Section 218.503, F.S.
- Guidance for Developing & Monitoring Financial Practices
- Corrective Action/Financial Recovery Plan Worksheet
Rule 6A-1.0081, F.A.C.
Additional State Board Rules in Development:

- **Ballot Process for Conversion Charters**
  Proposed for adoption on May 18, 2010

- **Definition of a Charter School Nonprofit**
  Rule Development Workshop on May 12, 2010

- **Procedures for Appealing**

- **Notice Requirements for Performance Data**

- **Model Forms for Applicants and Sponsors**