Charter Design Series Workshop

Non Profit and Charter School Fundamentals

Topics Covered

- Overall Considerations
- Application Writing
- District Mandates and Waivers
- Non Profit Incorporation
- Financial Considerations

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Public Charter Schools are Autonomous *YET* Accountable Schools of Choice

- Run as non-profit 501(c)(3) corporations
- Governed by a board of trustees
- Accountable to:
  - Chartering Authority
  - Students and Families
  - Public
- Schools of choice

Missed the basics?

Intro to Maryland Charter Schools is an On-Demand Webinar on our website

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Random admissions process

- Open enrollment

- Random lottery if there are more applicants than seats

- Limited preferences under the law

- Must be prepared to serve all students no matter what your target population is

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Founder's Preference

Districts have allowed an enrollment preference for founders that are submitted at the time of the application:

- Founders list should be capped at less than 10% of the your total enrollment

- List of founder's names must be submitted at the time of your application

- This status is reserved for people that have significantly contributed to the creation of your school
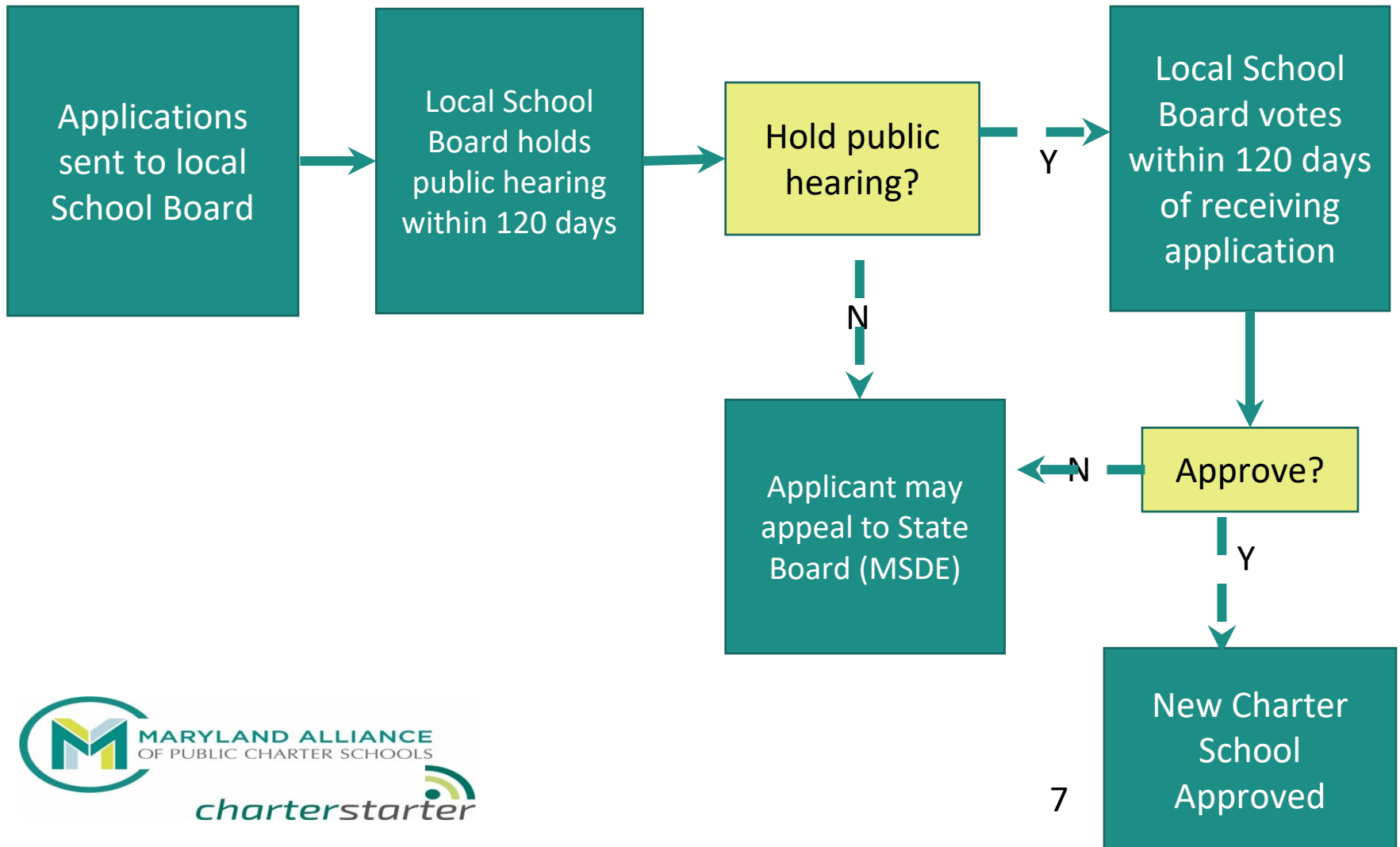
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Authorization

- School Districts are the only authorizers in Maryland

- Each authorizer has its own application and deadlines

- Once authorized, charters typically operate according to the terms of a five-year performance contract or "charter"

- All charter schools commit to meet or exceed specific goals for academic performance; if they don't, they can lose their charter or close

- Upon meeting or exceeding agreed-upon academic and operations goals, a charter school can be granted a renewal—typically five or more years by its authorizer.

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Overview of the Authorization Process

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┌─────────────────┐      ┌─────────────────┐      ┌─────────────┐   Y    ┌─────────────────┐
│  Applications   │      │  Local School   │      │             │─ ─ ─ ─▶│  Local School   │
│  sent to local  │─────▶│  Board holds    │─────▶│ Hold public │        │  Board votes    │
│  School Board   │      │  public hearing │      │  hearing?   │        │  within 120 days│
│                 │      │  within 120 days│      │             │        │  of receiving   │
└─────────────────┘      └─────────────────┘      └─────────────┘        │  application    │
                                                        │                └─────────────────┘
                                                        │ N                       │
                                                        ▼                         ▼
                                              ┌─────────────────┐         ┌─────────────┐
                                              │  Applicant may  │◀─ N ─── │  Approve?   │
                                              │  appeal to State│         └─────────────┘
                                              │  Board (MSDE)   │                │ Y
                                              └─────────────────┘                ▼
                                                                        ┌─────────────────┐
                                                                        │  New Charter    │
                                                                        │  School         │
                                                                        │  Approved       │
                                                                        └─────────────────┘
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District Mandates

- Districts create local policies.

- MD law gives districts broad authority to create their own structure for charter schools.

- It is *CRITICAL* that all issues be clearly addressed in the charter school contract. Any lack of clarity can lead to terminal levels of conflict and destruction of the charter school

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Waivers

- Policies and procedures of the school district apply to the school unless waived by the terms of the charter or forma action of the school district governance board.

  - Common Waivers are:

    - Procurement - This is important!

    - School Calendar

    - Length of Day

    - School Activity Funds

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Application Components

- Model Application
  - Education Plan
  - Organizational Plan
  - Business Plan
- Anne Arundel
  - Overview
    - Governance, School Structure
  - Instruction & Student Services
  - Business & Management Services

- Baltimore City
  - Academic Plan
  - School Culture & Climate
    - Vision, Mission, Need
  - Governance & Finance
  - Operations

- Prince George's
  - Education Program Design & Capacity
  - Operations Plan & Capacity
  - Financial Plan

Education/Academic/ Instructional Plan

Describe the school's curriculum, including the objectives, content, and skills to be taught in the primary subject areas in each grade band.

How will the school approach educating the education of children with special needs? Include not only students with disabilities (including those with exceptionally high needs), but also ELL students, gifted and talented students, and students who enter below grade level.

What tools you will use for formative and summative assessment and why? How often students will be assessed? How assessment results will be used over the course of the year, as well as over the course of the five-year contract.

- Educational Plan
- Academic Programs, Standards, and Curriculum
- Student Assessment
- Student Support Services
- Code of Student Conduct
- Parent Involvement and Community Participation
- School Calendar and Schedule
- Professional Development

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Goals/ Accountability Plans

- Goals should cover the areas of academics, climate and culture, and management/governance. All goals should be SMART

- In determining the success of the academic program consider clarity of the school's measurable academic goals and if they reflect high expectations which are designed to facilitate the attainment of the school's mission. Describe the methods by which the charter school will measure its progress towards achieving their stated objectives.

Self- Evaluation

Describe the self-evaluation process that will be utilized to track the school's progress.

Describe the role of each of the following in the evaluation process:

- board of trustees;
- administrative and teaching staff;
- parents;
- students; and
- community.

Include a description of the specific measures and/or documentation processes that will be used to assess the achievement of each of the school's academic and non-academic goals and their respective objectives

Good to Know

- Resources on MAPCS website

  - Facilities resources tool & checklist

  - Model application budget excel doc

  - Education Plan Checklist

- Sample Charter Applications DC

  https://dcpcsb.org/charter -applications-archive

- Baltimore City Application Rubric (online)

  https://www.baltimorecityschools.org/sites/default/files/inline-files/CharterSchools-ApplicationRubric-2019.pdf

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Tips for Writing a Successful Application

- Answer the question
- Use the language of the application
- Emphasize unique aspects of the school
- Remember these are real students and real teachers
- Use *brief* examples whenever possible
- Be consistent
- Your budget needs to balance

- Follow directions
- Check your facts
- Cite all statistics
- Define all acronyms
- Use subheadings and charts for easy-reading
- Do not copy text from other applications
- Meet the needs of ALL students

Starting Up…. Step by Step

1. **Decide on a name.**

    https://egov.maryland.gov/BusinessExpress/EntitySearch

2. **File Articles of Incorporation in MD.**

    https://businessexpress.maryland.gov/

3. **Obtain EIN from the IRS.**

    https://www.irs.gov/businesses/small-businesses-self-employed/apply-for-an-employer-identification-number-ein-online

4. **Establish Bylaws**
5. **File IRS Form 1023**

    https://www.irs.gov/charities-non-profits/before-applying-for-tax-exempt-status

6. **Register as a charity in MD**

    https://sos.maryland.gov/Charity/Pages/Registering-Charity.aspx

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File Incorporation Docs

- Get with an Tax Advisor and/or Attorney

- In Maryland, only non profits can hold a charter so you will need to file for a 501(c) (3). You will be forming a Tax Exempt Non Profit Corporation if you are filing for a new corporation.

- Check to make sure your business name is available https://businessexpress.maryland.gov/plan/select-business-name

- If you are an existing tax exempt corporation, you will also want to file to reserve your "to do business as name"- which would be your school name.

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File Incorporation Docs

- You can draft your own Articles of Incorporation (lawyer) or use those provided by the State

- You will need to write bylaws for your corporation

- Register your business with the Maryland Department of Assessments and Taxation is the first step for filing.

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Tax-exempt Recognition

Application Process—Items to Include:

- Completed Form 1023-Application for Recognition of Exemption (can be found online at the IRS Web site)

- The school's articles of incorporation and bylaws

- A description of the school's activities

- Financial statements

- Fundraising activities descriptions

- Obtain a Federal ID Number from IRS

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By Laws [tip: be the least prescriptive to fit your needs]

- **Membership** **(optional)**
- **Board of Directors**
  - **Number, Appointment and Tenure**
  - **Selection, Removal, Filling Vacancies.**
- **Officers & Committees**
- **Meetings** (Notice, Quorum, Voting)
- **General or Miscellaneous Provisions** (e.g., Fiscal Year, Conflict of Interest)
- **Indemnification**
- **Amendments**

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Board Composition

- Does size matter?

    - corporate style – executive skills

    - grassroots – representative of interests

    - mixed (seats reserved for parents/teachers)

    - if school leader ... ex officio _and_ non-voting

Charities Commission Survey, Approx 92% of respondents had boards with 15 or fewer trustees.

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Board Composition

- **Set Minimum & Maximum**

  EXAMPLE: "not less than three (3) nor more than fifteen (15), as fixed from time to time by resolution of the Board; provided, that no decrease in the number of Directors shall shorten the term of any incumbent Director."

- **Ratify # at Annual Meeting of the Board**

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Terms of Office

- **Staggered terms**
- **Term length** (most common* – 3 yrs)
- **Term limits** (48%* allow 2 terms)
    - balance of institutional memory with fresh perspectives; encourages innovation
    - makes it easy for <u>both</u> parties to say "no"
    - eases recruitment of busy people
    - keep retired members active in other ways

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Term Limits - Phasing

- <u>Example</u>: "No Board member may serve more than six years *consecutively* provided however that the Board may renew the term of a Board member who has reached this limit by a two-thirds (2/3) vote of those present."

'Consecutive' enables you to invite back a valued member (even to fill a vacancy).

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Annual Filings

1. **IRS Form 990 (e-file)**

2. **MD Form 1 (Personal Property)**

3. **Annual Update of Charity Registration**

Stages of Non-Profit Growth

- **Developmental** * (first 5 years)
  - long on passion, short on resources

- **Entrepreneurial** (5-10 years)
  - increasing demands with capacity lagging behind

- **Sustainable** (10+ years)
  - seeking new opportunities, external-focused

*****founders' vision gives way to formalized norms**

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Charter School Board Policies

- Arguably the most important policy for a board to adopt is a policy addressing conflicts of interest .

- Grievance Policy– to address parent concerns and the steps and policy if a grievance comes to the board

- Procurement Policy- MAPCS has a sample

- Enrollment Policy- outlining the lottery process and any allowable preferences

- Other policies to consider once operating:
  - Investment
  - Code of Ethics
  - Whistleblower

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Finance

- **Maryland Law States:** "a county board shall disburse to a public charter school, an amount of county, state, and federal money for elementary, middle, and secondary students that is commensurate with the amount disbursed to other public schools in the local jurisdiction."

Finance

- **Anticipated Per -pupil Funds:** Identify the level of funding from per pupil allocation.

- **NOTE**: interpretation of "commensurate" which will determine level of funding has been a matter of dispute and litigation. This creates significant uncertainty in your calculations. It is best to

  (1) ask the district about the per-pupil formula
  (2) consult existing charter schools – in your

  district if possible -- about their experience.

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Maryland Conundrum

- Funding levels can be a moving target. There is not a straightforward statewide funding formula.

- Your most significant cost – staff – is dictated by collective bargaining and the employing district.

- Your second most significant cost – facilities – must come from your per pupil.

- Despite the charter school's limited control over revenues and expenses the district has no responsibility for any shortfall in your budget.

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Facilities uncertainty

- Finding a building may come later in the process, defining target population and community engagement comes at the beginning

- Mission: consider what location will help you best serve your target student population

- Data: demonstrate knowledge about district and neighborhood demographics

- Community: take real steps to engage with your target community even if your site is uncertain

- Take a broad approach to community

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Audit

- ## Public Charter Schools must have annual audits
    - Be sure to allocate money in the budget ($6K-10K)
    - The audit Report must be presented to the full Board

Year-End Audit

An audit must be conducted by a certified public accountant (CPA) for the proceeding state fiscal year following Generally Accepted Accounting Principles (GAAP) and those prescribed by federal rules.

Establish a monitoring process – determine and develop policy designating a specific person or persons to take on these responsibilities

Charter schools are required to provide detailed financial information about their operation, primarily to demonstrate that public funds have been devoted to uses that are faithful to the public trust.

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Budget Narrative (Application)

- The budget narrative should support the expenditures identified in the proposed budget and provide enough information to the reviewers to justify the funding requested and how the funds will be used.

- Unless specified, there is not a required budget narrative format.

- When funds are used to purchase equipment, supplies, or purchased services a precise description needs to be provided. *Example*

  $2,000 will be used to purchase 100 math textbooks and 100 science textbooks for grades 3-1

Cash Flow

- Month by Month Projection

- Covers Initial Operational Year

- Same Revenue and Expenditure Categories as in Four Year Operating Budget

There is a cash flow template as part of the MSDE model budget

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Student Recruitment Strategies

- Student enrollment drives your budget

- Student recruitment is key--start now
    - Recruit parents to join your founding team and shape your design– they can be founders!

- Consider:
    - What is the ratio of students to spaces in my district at the grade levels I am targeting?
    - What is the landscape? Are schools high-performing or low-performing? Are families satisfied?
    - How does my school stand out?

Student Recruitment Strategies

- The most effective recruiting is word-of-mouth—build parent networks

- Website is critical, especially before you have a physical site

- Hold information sessions even before you have a site. Think about how you will showcase your model before you open.

- Record contact information for all parents and students who attend an event or demonstrate interest—follow up relentlessly
  - Explore what works best. Some schools have found that phone calls and text messages work better than emails

- Set up effective data systems for tracking contacts

- Continue cultivating families even after they apply—you want them to accept a spot if offered

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MSDE Planning/Design and Implementation Grant

- Eligible once you have submitted your application to Local Education Authority (LEA)

- Will be a separate application

- Up to $900,000 in Grant funds for Planning/Design & Implementation over 36 months

- The MSDE Grant will be offered in three cycles, so get started now. Third round in Summer/Fall 2020 for schools opening September 2021 or 2022

- Planning and Program design period: up to 18 months before school opening

- Implementation: Up to 36 months less the planning and program design period

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Questions?

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