

MEMORANDUM

Staff Summary No. 8

Date: September 12, 2018

To: Members of the California School Finance Authority

From: Katrina M. Johantgen, Executive Director

Subject: Consideration of Appeal Regarding the Charter School Facility Grant Program for Imagine Schools at Imperial Valley

Background: On July 24, 2017, the California School Finance Authority (Authority) received a Good Standing Letter (GSL) from Imagine Schools at Imperial Valley's (ISIV) (CDS 13631230121855), authorizer, El Centro Elementary School District (ECESD), which found the school to be in good standing with its authorizer and in compliance with the terms of its charter (see attachment #1). As a result, and having met other eligibility criteria, ISIV was found eligible for a Charter School Facility Grant Program (Program) Award and was awarded its 2017-18 initial apportionment of \$291,005.00. Pursuant to Section 10170.3(f) of Program regulations, a charter school is eligible for a grant if the charter school is in "good standing with its chartering authority, is in compliance with the terms of its charter at the time of application submission, and without interruption throughout the term of the grant."

In February 2018, the Authority began the Program's second apportionment process for all 2017-18 schools. Part of this process includes establishing each school's continued good standing designation with its authorizer. For ISIV's certification, ECESD provided the Authority with two certifications stating that ISIV is not in good standing with its chartering authority nor in compliance with the terms of its charter (see attachments #2 and #5). As a result of the March 7, 2018 certification from ECESD, ISIV was found ineligible for the remainder of its 2017-18 Program Award (second and third award apportionment totaling \$561,578.76), and an ineligibility letter was sent to the school on March 16, 2018 (see attachment #3).

ISIV sent an appeal dated June 25, 2017, 98 days after the Ineligibility Notice was sent (see attachment #4). This appeal exceeded the 30-day deadline of April 17, 2018, as required under Program regulations section 10170.10(b) and was denied. At the August 17, 2018 Authority Board meeting, the Authority Chair requested ISIV's appeal be brought to the September 12, 2018 Board meeting.

ISIV's Position: On August 28, 2018, ISIV submitted an appeal claiming ECESD's March 7, 2018 good standing findings were "based simply on the grounds that 'Board denied renewal petition'" (see attachment #7). ISIV asserts that ECESD's "notification of Imagine's standing was made in error" and there is "no evidence to support the District's statement that Imagine is not in good standing under its current charter through the 2017-2018 school year."

While ECESD did include the comment, "Board denied renewal petition," in their March 7, 2018 certification to the Authority, it was unclear if this was the basis for their findings. The Superintendent of ECESD, Jon LeDoux, has since clarified why the authorizer found ISIV

not in good standing nor in compliance with its charter for the 2017-18 period. Mr. LeDoux, in ECESD's July 27, 2018 certification listed the following four reasons:

1. ISIV did not meet academic performance criteria necessary for renewal.
2. Petitioners operated ISIV in a state of operational chaos with high turnover.
3. ISIV does not currently employ teachers with credentials required by law to serve English Learners.
4. ISIV contracts with Imagine School's parent company in Virginia under grossly inflated contracts that are fraught with conflicts of interest, including the facilities arrangement characterized as a "lease" and entered into by financially interested parties.

Authority Position: Since 2002, the Authority has utilized its Good Standing Letter to establish eligibility for program funding. Several years ago, as schools with negative responses from authorizers asked the Authority to intervene on the schools' behalves, the Authority amended its regulations. The regulation change directs applicants to the governing board of their authorizers to appeal negative good standing responses. The Authority is not in a position to arbitrate or mediate issues that schools are facing with their authorizers. Therefore, the following language was added to all program regulations: "The Authority will rely on information from the chartering authority regarding the school's good standing and compliance with the terms of its charter. Charter schools may appeal any response by the chartering authority's staff directly to the chartering authority's governing board. It shall be the charter school's responsibility, and not the Authority's, to ensure that the good standing and compliance response letter is received by the stated deadline." In the case of ISIV, Authority staff directed school representatives and advocates to appeal to the ECESD board, as the Authority staff nor board is charged with certifying a school's good standing with its authorizer or compliance with its charter.

Analysis: It is clear from ECESD's certification dated July 27, 2018 that the basis of the authorizer's finding was not "based simply on the grounds that 'Board denied renewal petition.'" Further, both certifications dated March 7, 2018 and July 27, 2018 were intended to report that ISIV was not good standing with its chartering authority nor in compliance with the terms of its charter through the 2017-2018 school year. Pursuant to Section 10170.3(f) of Program regulations, the applicant must maintain continuous good standing designation with its authorizer throughout the funding round.

Recommendation: Staff recommends that for the 2017-18 Program funding round, ISIV remain ineligible for the remainder of its 2017-18 Program Award (second and third award apportionments).

Attachments:

1. ECESD Good Standing Letter 7.24.17
2. ECESD Good Standing Letter 3.7.18
3. Ineligibility Letter 3.16.18
4. ISIV Appeal letter to Authority 6.25.18
5. ECESD Good Standing Letter 7.27.18
6. Authority Appeal Response 8.6.18
7. ISIV Appeal letter to the Board 8.28.18