

INTRODUCTION

- ▶ Welcome
- ▶ Session Outcomes
- ▶ Question Cards



- **Welcome**
- **Session Outcomes**

Important to emphasize that each State has specifics related to the wind-up/dissolution process (example: in Michigan, prior to becoming a charter school, each entity forms as a non-profit under the Michigan Non-Profit Act. Therefore, after the Charter Contract expires, the entity must dissolve itself under the State's Non-Profit Act. And there's options that require Board actions (i.e. pursue a court-appointed receiver, or handle it directly as the Board – pros and cons with each). So, the information within this session has to be taken in the context of the regulatory requirements.

- **Questions for the Presenters:**

Note cards were distributed to participants upon their arrival (or were placed on the tables) – please take a few minutes to jot down specific questions that are on your mind and we'll collect them and ensure we save time during the presentation to answer them, provide feedback, or suggest resources.

PREPARING THE ENVIRONMENT

Prior to Closure:

▶ Setting the Stage

- Internal Notification
 - Authorizer Staff
 - Authorizer Notifications
- External Discussions
 - The Board
 - The Parents, the Media



- **Preparing the Environment**

Let me provide some context for my background in this area:

Since 1996, Central Michigan Authorizer has closed 18 schools – 9 of them (50%) since June, 2010.

In each case, significant preparation allowed for, what we would say, were ‘smooth closures.’

Discuss:

- Appropriate Authorizer Notification (depends on organizational hierarchy – include legal counsel, as appropriate) and the importance of unilateral support of the closure recommendation;
- Pre-emptive discussions with members of the Charter School Board (in the months leading up to the ultimate decision). Also, the significance of the ‘documentation trail’ – formal, written correspondence re-enforcing the Academy’s failure (over time) to perform at an acceptable level.
- Meeting notifying board members (not a quorum) of the non-recommendation – not a revocation, not a termination... the fixed-term Contract ends and the issuance of a new Charter Contract will not be extended to the Academy. Emphasize the Board’s fiduciary responsibilities with respect to safeguarding public property and other resources.
- Notification of appropriate state agencies: DoE, Treasury, etc.
- Notification of bondholders or other applicable financial institutions
- Be prepared for: the media and the parents [stay the course → stick to the message – the Official Closure Notification Document is ‘the message’]

CLOSURE NOTIFICATION

Upon Closure:

- ▶ Provide details of intervention efforts
- ▶ Acknowledge Board actions (or lack thereof)
- ▶ Keep the 'end in mind' – a smooth transition for affected students and staff
- ▶ Proactively notify stakeholders
- ▶ Prepare for media/parent concerns



Closure Notification

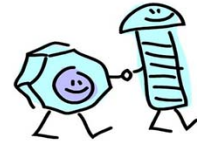
- Significant Detail of Authorizer Intervention and Oversight Activities
- Acknowledge Board efforts (or lack thereof)
- Emphasize smooth transition
- Re-enforce the kids
- CC: appropriate parties (as previously discussed)
- Be prepared for: the media and the parents [stay the course → stick to the message – the Closure Notification is 'the message']

Re-enforce that you've been on the front lines of closure decisions and worked through these situations and survived. Remind audience that proper preparation is critical.

Welcome Jo and Kathryn....

TOPICS

- ▶ A. PARENTS
- ▶ B. SCHOOL ADMINISTRATION
- ▶ C. STUDENT RECORDS
- ▶ D. FINANCE
- ▶ E. MEDIA



A. PARENTS

1. School immediately sends a letter to parents
2. Authorizer sets a date to meet with parents within a week of decision
3. Authorizer provides a “school option fair” for parents



Remember that the education of children is always the first priority. Parents and students are the most vulnerable individuals involved in the revocation and closure process and every effort should be made to reduce anxiety and stress.

It is important for the school to inform parents (in 2 days is preferred) of the authorizer’s decision (The school administration knew this was coming). This alleviates rumor and inaccurate information. The school will email a copy of the letter to the authorizer.

The authorizer collaborates with the school to find a date – within a week to ten days – to provide a forum at which parents will be informed of the process for closure. Following the forum there will be a “School Option Fair.” Charter schools and district schools that choose to participate will have tables set up in an appropriate space. The schools will have brochures and other information about their schools and forms for parents to fill out. (This can include transfer forms or any other document that will enable the schools to make follow-up contact with interested parents. The execution of the meeting and fair will depend on the location of the school and the authorizer.

The closure process must be consistent and transparent.

When deemed necessary, the authorizer may send communication to all parents giving information about options and the process for transfer.

B. SCHOOL ADMINISTRATION

1. Letter is written and delivered to inform staff of closure
2. Meeting is held to provide staff with information about the closure and other details important to staff



Letter is written and delivered to staff.

Try to do this within 24 hours of board resolution.

Incorporate key info:

Talking points: why school is closing

What to expect between time of announcement and end of year;

Key dates;

Information on benefits, licensure particulars;

Point of contact (name, phone/email) for questions.

Meeting is held to provide staff with information about the closure and other details important to staff.

Try to do this within 24 hours of board resolution.

Purpose: discuss the content of the staff letter (i.e., why closing), expectations for remainder of year, etc.

Provide staff an opportunity to ask questions.

Stick to talking points.

Ideally authorizer rep, board reps, school leader attend. All “point of

contact” persons should attend.

C. Student Records

1. Authorizer verifies student enrollment on day of decision
2. School informs authorizer periodically of formal transfer of students
3. On final closure day, school must transfer remaining student records to designated office (school district, authorizer etc.)



It is important for the authorizer to verify the school enrollment on the day, or the next morning, after the closure decision. There should be a process in place for the school to verify enrollment. Within one week the Authorizer should receive the current roster with addresses. If the revocation decision takes place after the school's application process, new student enrollment information and addresses will also be needed. Inquire of the administration about the status of re-enrollment for the upcoming year.

The school must inform the authorizer periodically of formal transfer of students. Is the school encouraging parents to take the need for transfer seriously or – are they perpetuating a “myth” that somehow the school is not going to close?

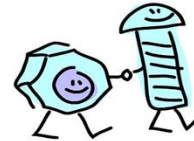
Schools must insure that each student record includes all items specified. In your guideline to closure, you can list everything that should be in students' records. Parents / guardians should be offered copies of students' records before the last day of school; parents must contact the transfer school and that school will request the student's record. In some instances, the approved transfer form is presented to the closing school and the closing school sends the student records, attaching the transfer form and keeping a copy for the closing school's record. Be sure that student records include student health/ immunization records, IEP's and records regarding special education, attendance, test scores, report cards and any other student records.

What will happen to student records on the closure day? If you have pushed the school and communicated with parents about the urgency of transfer and enrollment, you may be lucky enough to have most students placed. If not, then the policy in your jurisdiction will be followed. In DC, the authorizer receives all records for students not transferred!!!! So you really want the student's formally transferred before the last day of school. Sometimes

close-out continues beyond the last day of school and the administration can be pushed to reduce the number of students not yet transferred.

D. Finance

1. Authorizer should have details/ monthly–quarterly financial reports
2. If closure is due to financial issues, authorizer will request immediate submission of bank statements, cash flow, etc.
3. It is advisable to take an immediate inventory of all assets



Authorizer should have details/ monthly quarterly financial reports

Ideally authorizer gets regular reports (e.g., monthly).

Know the financial status of the school, familiar with the list of vendors, creditors.

If closure is due to financial issues, authorizer will request for immediate submission of bank statements; cash flow analysis, etc.

Ties in with regularly reviewing financials. Whether closure is due to finances or not, ensure you know the school's cash on-hand, etc.

Work with school to determine whether obligations can be met through the end of the year, or not.

Check state requirements. OH is specific in requiring compilations of lists of accounts, payroll reports, outstanding payables, investments, and petty cash.

Check w/legal counsel to ensure school doesn't have any outstanding claims that might be required to be paid before other obligations (e.g., taxes, Medicare, Workers Comp).

It is advisable to take an immediate inventory of all assets (which should be a part of the annual audit) – based on local, state federal, and grant rules, some of these assets can be liquidated for cash to pay outstanding bills)

Ideally the authorizer gets an inventory annually. If not, ask for one. If one doesn't exist, inventory everything asap. (Typically auditors will ask for this.)

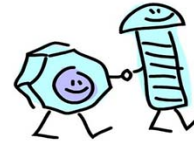
The inventory is based on the school's policy regarding assets (e.g., Fixed Asset Policy, Purchasing Policy, Asset Policy – can be titled differently).

Policy will set forth the threshold for inventory (e.g., \$2,500 or \$5,000) and state that depreciation should be included.

Note any assets that have specific disposition requirements (e.g., items purchased with federal funds (e.g., PCSP, National School Lunch Program), or state-specific grant-funded items (e.g., e-Tech)).

D. Finance (continued)

4. A letter should be sent to all businesses, vendors, landlord, etc. informing them of the closure
5. The school should be advised of the need for an audit and the date due
6. Issue of real property should be addressed



The school should formulate a list of all contractors with contracts in effect and notify them regarding cessation of current school operation at the end of the school year and submit copies of the notifications to the authorizer. (The authorizer will have a copy of the financial report and a cross check can be made.) If applicable, contractors should be instructed to make arrangements to remove any contractor property e.g., copying machines, water coolers or other rented property from the school facility by a given date. The authorizer will be provided a with copy of such notice. The school must retain records of past contracts with proof that they were fully paid to prevent spurious claims. What will be the disposition of real property. Will it be sold to help pay debts? If purchased with federal funds, it belongs to the state and the state controls disposition; local funds – some laws make this property available to charter schools. The school has operated as a non-profit, and the local non-profit laws may apply. Funds must be set-aside in the close-out budget – for an audit. The audit is required – the school operated for the school year. If for a portion of the year – an audit for that portion of the year is still required.

E. MEDIA

1. A press release should be already be in draft form and completed when the Board's decision is made
2. Be sure to provide contact information for the media
3. This is the only staff person who should answer questions from the media or the public!!!



A press release should already be in draft form and completed when the Board's decision is made; other community advocates should also receive release

Content should include the talking points that were in the parent and staff letters.

Post release on authorizer website, forward to appropriate individuals/organizations, media outlets.

Be sure to provide contact information for the media. This is the only staff person who should answer questions from the media or the public.

MICHIGAN MODEL

▶ Structure

- Michigan Non-Profit Act
- Charter Contract

▶ Outcomes

- Students FIRST!
 - Transition of Students
 - Transition of Records
- Public Assets
 - Non-Profit Board status
 - Receivership – Voluntary/Involuntary



- **Structure**

State-specific laws dictate Charter organization – thus control the wind-up/dissolution of the entity.

Michigan PSA's are first established as a Non-Profit under the Michigan Non-Profit Act, and then become a public school by executing the Charter Contract

Thus, once the Contract ends, and the Authorizer's role for oversight ends, the entity still exists under the Non-Profit Act and must dissolve in accordance.

- **Outcomes**

- Closure Notification emphasizes that actions should focus on what's best for the Academy's students
- Transition Services Contract (Authorizer-funded). The Center has funded a Contract that provides personal outreach to the families of the enrolled students as well as the staff assigned to the closing school.
 - Students: Multiple Notifications (U.S. mail and email – if available) alerting parents/guardians of school choice options in the area.
 - Staff: Outreach is designed to provide notification of upcoming teacher fairs, job postings websites, etc.
- Safe-guarding of assets. Again, Closure Notification and meetings facilitated by our office (and attended by MDE-representatives) emphasize the fiduciary responsibilities of the Board members.
- Typical example – Voluntary Dissolution:
 - Charter Board passes a resolution seeking a Court-appointed receiver.

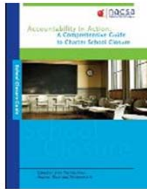
- Receiver is appointed by the court.
- Board members service ends.
- Receiver takes control
 - Secures all records and assets (which may include hiring a firm to assist in inventory management)
 - Establishes and posts information for the public regarding sale of assets
 - Closes out financial records (including State/Federal grants)
 - Engages an auditor for a final close-out audit.
 - To the extent possible, any remaining cash is returned to the State's School Aid Fund.
- Atypical Example – Involuntary Dissolution:

Atypical because in this case, if the school had substantial assets (either liquid or otherwise), and the Board does not appear to be headed toward receivership, it would be likely that the largest creditor (usually the building financier) would pursue the appointment of a receiver so as to protect their financial interest to the best extent possible. While this has not been the case (given most schools owe more than the building/assets are worth), it is still a possibility and it is something that our office discusses with Boards as they are entering the wind-up/dissolution process.
- Final point in the process: A Certificate of Dissolution is filed with the appropriate State Department (Department of Labor & Economic Growth, Bureau of Commercial Services, Corporation Division) and includes a copy of the Attorney General's approval letter and tax clearance from the Treasury Department.
- In Michigan, the Authorizer's Role is to stay informed of where the school is in the process – keep close communications with MDE (who closely monitors the process on behalf of Treasury).

NACSA Closure Guide

- ▶ Available at

http://www.qualitycharters.org/images/stories/publications/2010_NACSA_Closure_Guide.pdf



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