



COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF EDUCATION

June 20, 2018

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SENT VIA CERTIFIED MAIL AND E-MAIL

Dear Mr. Shuckrow:

Thank you for your interest in forming a Multiple Charter School Organization (MCSO). After reviewing the Propel MCSO Application, it is the decision of the Pennsylvania Department of Education (PDE) to deny the Application, at this time, for reasons explained in the enclosed decision.

If you wish to discuss how Propel may be able to address the concerns noted in the enclosed decision in a subsequent application, I encourage you to contact Sherri Smith, Director of the Bureau of School Support as soon as practicable.

Sincerely,

A handwritten signature in cursive script, reading "David W. Volkman".

David W. Volkman
Executive Deputy Secretary

Encl.

Background

Pursuant to section 1729.1-A of the Charter School Law (CSL), the Pennsylvania Department of Education (PDE) has the authority and responsibility to receive, review, and act upon applications for the establishment of a Multiple Charter School Organization (MCSO). 24 P.S. § 17-1729.1-A(a)(1)(i). An MCSO applicant must also submit its application for approval by each school district that has chartered a charter school included in that MCSO proposal (chartering school district). 24 P.S. § 17-1729.1-A(a)(1)(ii). As part of the application requirements established by PDE pursuant to subsection (c), PDE requires that an MCSO application submitted to PDE contain evidence that the application was first submitted to each chartering school district. The identical MCSO application approved by the chartering school districts must then be submitted to PDE for approval.

On May 7, 2018, PDE received an MCSO application submitted by eight charter schools currently operating under a federation agreement as Propel Schools (Applicant). The eight charter schools are:

School Name	Authorizing District	Location	School Performance Profile Score In Top 25%
Homestead	Steel Valley	129 E 10th Avenue	No
East	Woodland Hills, Penn Hills	1611 Monroeville Avenue	No
McKeesport	McKeesport	2412 Versailles Avenue	Yes
Montour	Montour	340 Bilmar Drive	No
Braddock Hills	Woodland Hills	1500 Yost Boulevard	No
Northside	Pittsburgh Public	1805 Buena Vista Street	No
Pitcairn	Gateway	435 Agatha Street	No
Hazelwood	Pittsburgh Public	5401 Glenwood Avenue	No

According to the Applicant, the MCSO Application was received by Woodland Hills School District on May 3, 2018, and Gateway School District, McKeesport School District, Montour School District, Penn Hills School District, Pittsburgh Public Schools,¹ and Steel Valley School District on May 4, 2018.

An MCSO is established through the merger² of two or more charter schools into a single non-profit corporate entity. 24 P.S. § 17-1729.1-A(a)(1). An MCSO has the authority to operate

¹ Shortly before the issuance of this decision, PDE was informed that Pittsburgh Public Schools – the chartering school district for Propel – Northside and Propel – Hazelwood – denied the MCSO Application. As explained below in Section III, this is a sufficient basis for PDE to deny the Application. Nevertheless, PDE proceeded to review the Application.

² Although section 1729.1-A uses the term “consolidation”, the term “merger” reflects the current provisions of Pennsylvania’s Associations Code, 15 Pa.C.S. § 101 *et seq.* The term “merger” is defined in the Associations Code as: “A transaction in which two or more merging associations are combined into a surviving association pursuant to a document filed by the department or similar office in another jurisdiction.” 15 Pa.C.S. § 312(a). The General Comments to section

multiple charter schools “under the oversight of a single board of trustees and a [single] chief administrator who shall oversee and manage the operations of the individual charter schools under its organization[.]” 24 P.S. § 17-1729.1-A(a)(2). An MCSO “shall be regarded as the holder of the charter of each individual charter school under its oversight” 24 P.S. § 17-1729.1-A(e).

A charter school is an independent public school. 24 P.S. § 17-1703-A. Pennsylvania law recognizes that each charter school is an independent Local Education Agency (LEA), separate from the chartering school district, the enrolled students’ resident school districts, and PDE (as the State Education Agency (SEA)). Like a school district, once established, an MCSO will be a single LEA responsible for the operation of each of the schools in the organization, which contemplates administrative efficiencies³ for any newly created MCSO.

Decision

Based on a thorough review of the written Application and its attachments, PDE denies the Application. Deficiencies in the Application were identified in the following areas:

- Demonstration of Proper Planning and Preparation for Delivery of Educational Programs to Students
 - Special Education
 - Finance
- Governance
- General Application Requirements

I. The Applicant failed to provide sufficient information to demonstrate proper planning and preparation to avoid impacting services to students.

Based on a review of the submitted MCSO Application, it does not appear that the Applicant fully or properly considered how the merger of the eight separate charter schools into a single LEA will affect the schools’ operations, particularly those that are likely to have direct impacts on educational and other services provided to its students.

a. Special Education Programs and Services

312 of the Associations Code further explain: “The term ‘merger’ in this chapter includes the transaction formerly known under Pennsylvania law as a consolidation in which a new entity results from the combination of two or more pre-existing entities.” 15 Pa.C.S. § 312.

³ The eight charter schools in the proposed MCSO all currently share the same chief administrator, have identical membership across each of their boards of trustees, and operate under a federation agreement pursuant to which they agree to operate in accordance with the same “Educational Vision” and curriculum, while one of the charter schools provides services to all the schools under the agreement. The eight charter schools are also affiliated with a single foundation.

Section 10c of the MCSO application requires that an applicant describe how the merger may impact academic programming and services, including services to students receiving special education services, English Learners, and at-risk learners.

In response, the Applicant explained: “Consolidation will allow us to better utilize our special education staff by concentrating low-incidence students at particular schools.” However, the Applicant: (1) did not explain which special education students would be classified as “low-incidence” for purposes of “concentrating” the students at “particular schools”; (2) did not identify the schools in which the students would be concentrated; and, (3) did not explain how the concentrated programs would be operated to meet each individual student’s needs. Further, the Applicant failed to acknowledge that concentrating low-incidence special education students at particular schools could violate least-restrictive environment (LRE) mandates for these students. To the extent that the Applicant is aware of these possible results, the Applicant failed to describe how these results could be avoided through development and implementation of policies and procedures designed to ensure compliance with the Individuals with Disabilities in Education Act (IDEA), 20 U.S.C. § 1400 *et seq.*, and related federal and state laws.

An additional, significant area of concern relative to the Applicant’s planning and oversight of programs and services for special education students is the lack of identification of an administrator responsible for the Applicant’s special education students. The eight charter schools in the proposed MCSO currently serve a total of 681 special education students – over 17 percent of the charter schools’ combined student enrollment.

The Applicant was required to include a clear description of the roles and responsibilities for administrators, yet neither the organizational chart nor the list of proposed leadership staff indicated consideration of who within the proposed MCSO bears responsibility for special education. Specifically, the Applicant’s list of proposed MCSO staff, which included descriptions of primary activities and responsibilities of the staff, failed to mention special education.

In contrast, however, the Applicant identified its Senior Director of Academics as being responsible for “[ensuring] that English Learners (EL) programming is effective and efficient in meeting the needs of the organization’s English Learners.” Application, Attachment 56. According to the Applicant, there were three students identified as English Learners enrolled across the eight schools in the 2016-2017 school year, and eight students in the 2017-2018 school year.

By way of additional context, the proposed MCSO would ultimately serve over 4,300 students (by 2023); analysis of 2017-2018 staffing detail for the 40 school districts statewide with student enrollments between 4,000 and 5,000 finds that all but four of these districts employ at least one full-time supervisor of special education, and a large majority of these districts (58 percent) employ multiple special education supervisors (range is two to four).

Compliance with the IDEA and related federal and state laws, and the clear designation of the roles and responsibilities of administrators and teachers with respect to special education

students, are critical to a school's operations and to the effective delivery of a free, appropriate public education (FAPE) to its students.

The enrollment projections included in the Application also indicate that the Applicant anticipates a reduction in the percentage of special education students enrolled in the charter schools relative to an increase in total enrollment. According to the information supplied – but without explanation – the Applicant projected special education enrollment to drop from 681 current students to 625 students in the 2018-2019 school year, despite an anticipated overall enrollment increase. Failure to properly plan for student enrollment, particularly special education students, is likely to result in significant staffing and budgetary challenges and impact the ability of the schools to provide FAPE and a comprehensive learning experience.

b. Financial Planning – Federal Funds

The establishment of an MCSO and merger into a single LEA will necessarily and significantly impact various areas of the schools' operations, including responsibilities for the allocation of federal grant funding. Section 8f of the MCSO application form requires that an applicant describe how the merger may impact the individual charter schools' ability to receive grants and any additional sources of revenue. If the merger could result in a loss of grant opportunities to a member charter school, the applicant is required to describe how the loss will be remediated.

Currently, Propel's eight separate LEAs receive federal allocations as a single school; however, requirements under federal law will apply differently when the merger creates a single LEA with multiple schools. Within the Application, there is a lack of evidence in understanding how the proposed merger will affect federal funds allocations and duties of the MCSO to appropriately award funds to the individual schools.

In response to this question, the Applicant stated: "Grants are always at the discretion of the donor; therefore, if a donor wants to restrict to a particular school, they will be able to do so. However, the merger will strengthen Propel in the sense that it is seen as one entity as opposed to eight (8) separate entities." By this response, it appears that the Applicant did not consider the impact of the merger on the receipt and allocation of federal funds, including funds received under the Every Student Succeeds Act, 20 U.S.C. §§ 6301 *et seq.* (ESSA). As explained below, the merger into a single LEA will impose upon the Applicant an alternate process for allocation and reporting purposes.

For example, Title I regulations of ESSA requires any LEA that serves more than one school must follow "rank and serve" requirements for allocating funds to each individual school. 20 U.S.C. § 6313. The MCSO must, in accordance with Title I regulations, annually rank school attendance areas by the prevalence of students in poverty in each school. The ranking of schools determines the distribution of funds to better serve students with the most need. Further, federal law restricts how the MCSO can reassign funds it receives from students' resident school districts to compensate for the revised distribution of Title I funds.

In short, even though the MCSO may receive the same total amount of federal funds as a single LEA as it would as separate LEAs, federal mandates applicable to the MCSO as a single LEA

may result in different amounts being assigned to individual schools. These shifts are not identified in the Applicant's anticipated expenditure information.

Finally, the MCSO must demonstrate compliance with other federal funding requirements such as maintenance of effort; supplement and not supplant; and comparability. *See e.g.* 20 U.S.C. § 6321. These requirements will necessitate additional attention by the MCSO to the assignment and use of federal funds to avoid noncompliance with federal mandates.

II. The Applicant failed to demonstrate that its governance structure and procedures will ensure appropriate accountability as a public school.

- a. *The Applicant failed to provide sufficient evidence of accountability to parents, the public, and the Commonwealth, and a clear description of the method of appointment or election of the members of the Board of Trustees.***

A "charter school" is "an independent public school established and operated pursuant to a charter from the local board of school directors . . ." 24 P.S. § 17-1703-A. Charter schools are intended to "[p]rovide parents and pupils with expanded choices in the types of educational opportunities that are available within the public school system." 24 P.S. § 17-1702-A. The CSL requires that a charter school "be accountable to the parents, the public and the Commonwealth, with a delineation of that accountability reflected in the charter." 24 P.S. § 17-1715-A(2). A charter school shall also develop strategies "for meaningful parent and community involvement." *Id.* An MCSO Applicant must provide a clear description of the method for the appointment or election of members of the board of trustees. 24 P.S. § 17-1729.1-A(c)(6).

In its MCSO Application, Section 8a, the Applicant states:

The Board Development and Nominating Committee shall be responsible for nominating for election members of the Board of Trustees, Officers of the Corporation, members of the Executive Committee, the Nominating Committee and any other committees that the Board of Trustees shall, from time to time establish. The Board Development and Nominating Committee shall also provide nominations for any interim vacancies in the aforementioned positions and recommend opportunities for ongoing board development and leadership.

The draft proposed Amended and Restated Bylaws of Propel Schools, A Nonprofit Corporation Doing Business as "Propel Charter Schools MCO," included as Attachment 57 to the MCSO Application, describes election of Trustees as follows:

- "4.04 Qualification and Selection. Each Trustee shall be a natural person of full age who is a member of the Friends of Propel Committee at the time of his or her election . . ."
- "4.07 Vacancies on the Board. Any vacancy occurring in the Board of Trustees, and any Trusteeship to be filled by reason of an increase in the number of Trustees, will be filled by a majority of the remaining Board of Trustees."

- “5.06 Purpose. The Board Development and Nominating Committee shall be responsible for nominating for election members of the Board of Trustees, Officers of the Corporation, members of the Executive Committee, and Nominating Committee and other committees that the Board of Trustees shall, from time to time establish.”

The Applicant provided no evidence of established procedures to ensure meaningful parent and community participation on the proposed Propel MCSO Board of Trustees. As explained by the Applicant, Trustees must also be members of the Friends of Propel Committee at the time of his or her election; however, there was no information provided in the Application to explain who constitutes the Friends of Propel Committee or how the members of the Friends of Propel Committee are selected. Furthermore, there do not appear to be any procedures to include parent or community nominations to the Board of Trustees (or Friends of Propel Committee) or otherwise consider parent and community comment and sentiment in the election of Trustees. There are also no designated parent, student, or alumni seats on the Board of Trustees.

Furthermore, there do not appear to be any procedures to ensure sufficient diversity and geographic balance in the nomination and election of members of the Board of Trustees. While a review of the members of the Board of Trustees for the proposed Propel MCSO reveals that many individuals are employed or reside in Pittsburgh, there was no information provided to evidence representation for other communities served by the Propel MCSO. For context, the charter schools to be included in the proposed Propel MCSO currently operate pursuant to charters issued by seven separate school districts, and its 10 school buildings are located throughout Allegheny County and enroll students from at least 36 different school districts.

The combined student enrollment of the charter schools, based on school year 2016-2017 data, is 3,623, higher than student enrollments of 83 percent of Pennsylvania LEAs. Also, the Applicant estimated the revenues and expenditure of the proposed Propel MCSO to be almost \$68 million dollars in the 2019-2020 school year. A public school entity should ensure that the public has meaningful ways to participate in the election of its board members.

Further, the Applicant did not seek parent or community input or support for the proposed Propel MCSO. Within the standard application form developed pursuant to section 1729.1-A(c), PDE requested that an applicant include evidence of outreach and engagement conducted within the school community to solicit feedback concerning the proposed MCSO. The Applicant responded that “community outreach/engagement [was] not conducted as it is not a required step.” While the Applicant correctly stated that PDE recommended, but did not require, that community outreach and engagement occur, the lack of outreach and engagement, together with the lack of clarity in the proposed bylaws, evidences a lack of the appropriate accountability to parents and the community required by the CSL.⁴

⁴ The Applicant also proposes two key positions in the area of community engagement (Senior Director of Community Affairs and Senior Director of Strategic Communication and Engagement); this focus is notable, especially in contrast to the Applicant’s decision to not conduct community outreach on the MCSO proposal itself.

PDE also visited the Applicant's website, www.propelschools.org (accessed June 15, 2018). PDE could not locate Board meeting agendas or minutes. Therefore, it does not appear that a parent or member of the community could easily learn of actions to be taken, or those that have been taken, including the proposal to form an MCSO or previous changes to Board composition. Moreover, because the memberships of the eight separate Boards that currently oversee the charter schools are identical, there is no evidence of consideration having been given to the individual communities served by the charter schools when the Board members were selected.

b. The Applicant's policies and procedures do not sufficiently acknowledge the application of the Public Official and Employee Ethics Act to the proposed Board of Trustees and administrators of the charter school.

The CSL provides that the trustees and administrators of a charter school shall be public officials. 24 P.S. § 17-1715-A(11). An MCSO applicant must demonstrate compliance with “[s]tandards for board of trustees performance, including compliance with all applicable laws, regulations and terms of the charter.” 24 P.S. § 17-1729.1-A(c)(7). While the Applicant provided a conflict of interest policy, briefly recognizing that statements of financial interest must be filed, the policy failed to fully encapsulate the Public Official and Employee Ethics Act (Ethics Act), 65 Pa.C.S. § 1101 *et seq.*, requirements. In addition to requirements for filing statements of financial interest (65 Pa.C.S. §§ 1104, 1105), the Ethics Act prohibits public officials from engaging in restricted activities and makes public officials subject to the jurisdiction of the State Ethics Commission. 65 Pa.C.S. §§ 1103, 1107-1108.

Additionally, although the Applicant's proposed conflicts of interest policy recognized the requirement for filing annual statements of financial interest, for five of 10 board members, no calendar year 2017 statement is included; for one of these members, the most recent filing is for calendar year 2015. Three of 10 members filed forms with incomplete information, and one member failed to sign and execute the statement.

Acknowledgement of the applicability of the Ethics Act, understanding of the prohibitions on conflicts of interest and other restricted activities, and strict compliance with statement of financial interest submission requirements are significant considering that the Applicant will be responsible for the operation of a public school system of over 4,300 students by 2023, and will manage almost \$68 million in public funds in its first year as an MCSO. Taken together, there is insufficient information to demonstrate that the members of the boards of trustees for the Applicant charter schools or the proposed members of the MCSO's board of trustees meet requirements of the CSL, the Ethics Act, and other related laws.

III. The applicant failed to comply with application requirements.

PDE is authorized and responsible for developing and issuing a standard MCSO application form that MCSO applicants must submit to PDE and each chartering school district. The application form must include information related to eight areas specifically set forth in subsection (c)(1)-(8), in addition to “any other information as deemed necessary by [PDE].” 24 P.S. § 17-1729.1-A(c)(1)-(8) and (9). Establishment of an MCSO is also “[s]ubject to the requirements of 15 Pa.C.S. Pt. II Subpt. C (relating to nonprofit corporations)” 24 P.S. § 17-1729.1-A(a)(1).

Although section 1729.1-A uses the term “consolidation”, the term “merger” reflects the current provisions of Pennsylvania’s Associations Code, 15 Pa.C.S. § 101 *et seq.* The term “merger” is defined in the Associations Code as: “A transaction in which two or more merging associations are combined into a surviving association pursuant to a document filed by the department or similar office in another jurisdiction.” 15 Pa.C.S. § 312(a). The General Comments to section 312 of the Associations Code further explain: “The term ‘merger’ in this chapter includes the transaction formerly known under Pennsylvania law as a consolidation in which a new entity results from the combination of two or more pre-existing entities.” 15 Pa.C.S. § 312.

Section 314(a) of the Associations Code, 15 Pa.C.S. § 314(a), provides:

If the law of this Commonwealth other than this chapter requires notice to or the approval of a governmental agency or officer of the Commonwealth in connection with the participation under an organic law that is not part of this title by a domestic or foreign association in a transaction which is a form of transaction authorized by this chapter, the notice must be given or the approval obtained by the association before it may participate in any form of transaction under this chapter.

In short, Pennsylvania law requires that a regulated entity provide notice to or receive approvals from another governmental agency or officer for the proposed merger, and such notice must be made or approvals must be received before the merger may occur. In the instant matter, the CSL requires approval of the merger by PDE and each chartering school district. 24 P.S. § 17-1729.1-A(a)(1).

The following description of the MCSO application process is set forth in the Multiple Charter School Organization Application Guide developed and published by PDE after consultation with a wide range of stakeholders:

The General Assembly did not provide express direction concerning the sequence of submission and review of MCSO applications to the chartering school district(s) and the Department. Therefore, the Department has concluded that the most reasonable way to implement the requirements relating to submission and review is through a sequential review.

Under this sequential review process, the establishment of an MCSO begins with the submission of a complete and verified MCSO Application to the chartering school district(s) for each charter school under the proposed MCSO. In the case of a regional charter school, or when the charter schools seeking to form an MCSO have different chartering school districts, the MCSO Application must be submitted to all chartering school districts simultaneously. Chartering school district(s) have 45 days to review and act on an application for creation of an MCSO; if no action occurs within the 45 days, the application is deemed approved. 24 P.S. § 17-1729.1-A(a)(2). If a chartering school district disapproves an application and that disapproval is subsequently reversed by the

State Charter School Appeal Board (CAB), *see* 24 P.S. § 17-1729.1-A(f), the application will be considered approved as of the date of CAB's written determination unless otherwise stayed by an appropriate order.

After approval by the chartering school district(s) (or CAB) or the passage of 45 days, the MCSO Application is submitted to the Department. The MCSO Application submitted to the Department must be identical to that approved by the chartering school district(s). The Department has 45 days for review and action. 24 P.S. § 17-1729.1-A(a)(1). Disapproval by the Department is also subject to an appeal to CAB. *See* 24 P.S. § 17-1729.1-A(f). This sequential review allows charter schools to address and resolve any concerns with the chartering school district(s), which have closer oversight of the charter schools, before seeking the Department's approval. Also, the sequential review eliminates the possibility of conflicting decisions on an MCSO Application being issued by the chartering school district(s) and the Department at the same time.

In addition, sequential review allows PDE to confirm that the necessary district approvals have been received and, upon its approval, allows PDE to issue the MCSO applicant a single approval letter. This requirement reduces the burden on the applicant and on the Pennsylvania Department of State to obtain sufficient evidence of the regulatory approvals required by section 314(a) of the Associations Code.

The Applicant further evidenced its failure to recognize the significance of the sequential review in its response to section 1d of the standard MCSO application. That section requires that an MCSO applicant identify the date that its application was submitted to the chartering school district(s). In response, the Applicant answered "1/1/10", or January 1, 2010, almost eight years before the effective date of section 1729.1-A. The Applicant could not have sought approval from the chartering school districts on January 1, 2010, and its response to this section provided no information that could support a decision to grant the Application.

PDE also developed a Compliance Certification to be executed by each individual who is a proposed member of the board of trustees of the MCSO (MCSO Compliance Certification). The MCSO Compliance Certification is a required portion of the MCSO application. *See* 24 P.S. § 17-1729.1-A(c)(9). The MCSO Compliance Certification contains a statement that each member certifies "that the chartering school district(s) for the . . . charter schools [of the proposed MCSO] received the MCSO Application simultaneously, and that the MCSO Application approved by the chartering school district(s) will not be altered in any manner prior to its submission to [PDE]." However, the MCSO Compliance Certification executed by the proposed members of the Applicant's board of trustees and submitted with the MCSO Application was altered to remove the portion of the statement certifying that the chartering school districts received the MCSO Application simultaneously. The signatures of the proposed members of the board of trustees were also not attested to as required.

Prior to the issuance of this decision, PDE learned that Pittsburgh Public Schools denied the Application. Because the Applicant did not secure the approval of all chartering school districts, the Application is deficient.

Because the MCSO Application submitted by the Applicant did not contain a proper date for when the Application was submitted to the chartering school districts, and because the MCSO Compliance Certification had been altered, PDE requested that the Applicant specifically identify the dates on which the Application was submitted to the districts and the action taken by the districts. In response, the Applicant identified that the MCSO Application was received by Woodland Hills School District on May 3, 2018, and Gateway School District, McKeesport School District, Montour School District, Penn Hills School District, Pittsburgh School District, and Steel Valley School District on May 4, 2018; this information confirms that the Applicant did not comply with the application requirements. PDE also provided the Applicant with a new, unaltered MCSO Compliance Certificate to be executed and attested to by the proposed members of the MCSO's board of trustees. The Applicant did not resubmit the MCSO Compliance Certificate as requested.

Based on the above, the Applicant failed to submit its application to form an MCSO to all its chartering school districts at least 45 days prior to submitting its application to PDE, and failed to properly complete the MCSO Compliance Certificate required as part of the MCSO application, and the MCSO Application is, therefore, denied.

Observations

Based on a thorough review of the written Application and its attachments, PDE observed opportunities for growth, training, and further consideration by the Applicant in the following areas:

- Curriculum
- Finances
- Other

I. Curriculum

PDE's MCSO application form required the submission of current curriculum (planned courses by grade level), if not already on file with the authorizer(s), and current curriculum is a required submission for any MCSO Application requiring approvals from multiple authorizers. Based on its review of the Application, it is PDE's understanding that the charter schools associated with the proposed MCSO currently utilize the same curriculum. Because the Applicant did not submit its entire curriculum, PDE could not review whether the curriculum is aligned to Pennsylvania State Academic Standards.

Additionally, the Applicant did not describe types of interventions and/or guidance for providing an alternative curriculum, when needed.

Recommendation: After review of the Applicant's student academic performance on the Pennsylvania State assessments, PDE recommends that the Applicant review and more closely align its curriculum and instructional practices to the Pennsylvania State Academic Standards using tools such as the Standards Aligned System (SAS). Further, PDE's Bureau of Curriculum,

Assessment, and Instruction is available to assist the Applicant through training and technical assistance.

II. Finances

Based on the information included with the Application, across all of the Propel schools, overall finances have been in decline over the past four years. The MCSO structure could provide an opportunity to reduce some of those costs but as noted within the Application, the proposed budget for the MCSO does not provide a clear indication of these reduced costs or greater efficiencies.

Having a positive fund balance is an indicator of financial stability and good budgeting. Multiple years of a positive fund balance can also help a school grow and address needs. Additionally, unrestricted fund balances provide additional flexibility, as they can be applied without the stipulations associated with committed fund balances. The Government Finance Officers Association (GFOA) recommends, at a minimum, that a governmental entity, regardless of size, maintain an unrestricted fund balance in their general fund of no less than two months of general fund operating revenue or general fund operating expenditures. None of the Propel schools met the recommended level of unrestricted fund balance in any of the prior three years.

Recommendation: Continued attention to school finances is appropriate to ensure compliance with accepted standards of fiscal management and audit requirements. 24 P.S. § 17-1729.1-A(b)(1)(ii).

III. Other

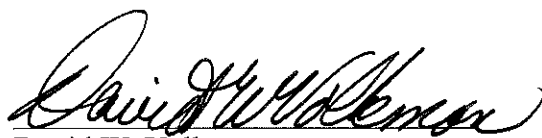
The Applicant included the following statement in its Executive Summary: “[PDE] can audit the single Propel Schools MCSO entity for special education compliance rather than the current eight separate Propel charter school entities.” PDE notes that a variety of programmatic monitoring and other reviews conducted by PDE include building-level observations.

Conclusion

Based on the deficiencies identified above, individually, collectively, and in any combination, the MCSO Application is denied.

The Applicant may appeal this decision to the State Charter School Appeal Board (CAB). 24 P.S. § 17-1729.1-A(f). If the Applicant files an appeal with CAB, it shall serve a copy of its appeal on PDE at the following address:

Pennsylvania Department of Education
Office of Chief Counsel
333 Market Street, 9th Floor
Harrisburg, PA 17126-0333



David W. Volkman
Executive Deputy Secretary

Date: 6/20/18