

THE FLORIDA DEPARTMENT OF EDUCATION
CHARTER SCHOOL APPEAL COMMISSION

Technical Assistance Paper

APPEAL OF IMAGINE-SARASOTA COUNTY, LLC.
CHARTER APPLICATION DENIAL

APPELLANT: IMAGINE-SARASOTA COUNTY, LLC.

SCHOOL BOARD: THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA

DISCLAIMER: THIS TECHNICAL ASSISTANCE PAPER (“TAP”) IS INTENDED TO PROVIDE A BRIEF SUMMARY OF THE SCHOOL DISTRICT’S REASONS FOR DENYING THE CHARTER SCHOOL APPLICATION OR TERMINATING A CHARTER AND THE PARTIES’ POSITIONS. TO THE EXTENT INCONSISTENT, THE RECORD ON APPEAL SHALL GOVERN. INTERESTED PERSONS SHOULD READ THE FULL RECORD ON APPEAL.

History Imagine-Sarasota

August 1, 2007 – Charter application was received by the School Board.

August 21, 2007 – Workshop at the School Board to encourage Imagine to make changes in their application.

August 31, 2007 – Deadline to make changes to the application.

October 2, 2007 – School Board took action on the application.

October 31, 2007 – Imagine filed an appeal of the denial.

November 29, 2007 – School Board filed response to Imagine's appeal.

ISSUE ONE

WHETHER THE SCHOOL BOARD HAD GOOD CAUSE TO DENY THE CHARTER SCHOOL APPLICATION BASED UPON: “THE FINANCIAL STATUS OF THE PARENT ORGANIZATION AND THE IMPACT ON SUSTAINABILITY OF A LOCAL SCHOOL, AND THE LARGE AMOUNT OF START UP DEBT OF THE SCHOOL.”

- The School Board states the application disclosed that the school anticipated opening with a start-up debt of \$250,000, an amount equal to the pre-opening payment due from the school to Imagine Schools Non-Profit. The school also proposed to enter into a building lease that would commit it to a monthly lease payment escalating to \$63,000 per month. These lease payments are to be made to an entity, Schoolhouse Finance, LLC, that is a wholly owned subsidiary of Imagine Schools Non-Profit. Additionally, although Imagine Schools Non-Profit has disclaimed any intent to be an educational service provider, the school will owe another 12% of its per-pupil funding to Imagine Schools Non-Profit for “indirect costs.” Given the large sums of money - \$250,000 plus substantial lease payments plus 12% of its annual income – the school proposed to transfer to Imagine Schools Non-Profit and its subsidiary, Schoolhouse Finance, LLC, the School Board had a legitimate concern that these payments, in addition to the other operational costs, including salaries, benefits and maintenance expenses, the school must incur, would leave the school with inadequate resources to meet educational program needs. This would become even more critical if enrollment projections were not met. Moreover, there is also no indication in the application or applicant comments that the local charter school would be building any equity to be self-sustaining in future years. The applicant did not address this issue to the School Board’s satisfaction.

Given the financial, legal, and operational control Imagine Schools Non-Profit will have over the school, the School Board also had substantial concerns over the financial strength of Imagine Schools Non-Profit.

The financial health of the parent organization is more significant to the financial health of the local school since so many critical functions of Imagine Charter School of North Port are to be provided by Imagine Schools Non-Profit.

- The Applicant states that there was no competent and substantial evidence in the record establishing that Imagine Schools, the sole member of Imagine-North Port, is not financially healthy or linking the allegedly poor financial status of Imagine Schools to the financial sustainability of the Imagine Charter School at North Port. Moreover, there was no competent and substantial evidence in the record to establish that the estimated start-up debt for Imagine School at North Port was excessively large or would hinder the school’s financial success.

Imagine Schools is constantly striving to improve in all areas of performance. Imagine Schools’ 2006 Annual Report provides stakeholders with a summary of how Imagine Schools believes it is doing in each of six “measures of excellence.” The \$3.1 million in “bad debt” referred to by Dr. Todd was shown on the Income Statement included within the 2006 Annual Report. The “bad debt” was not owed

by Imagine Schools, but, to the contrary, consisted of accounts receivable for loans or fees that Imagine's independent charter schools owed by Imagine Schools. The "bad debt" is not a "financial red flag" as implied by Dr. Todd. Rather it is an indication of the financial strength of Imagine Schools and its ability to forgive debt of its independent charter schools.

The pertinent Florida Statutes on this issue read as follows:

(6) APPLICATION PROCESS AND REVIEW.--Charter school applications are subject to the following requirements:

(a) A person or entity wishing to open a charter school shall prepare an application that:

5. Contains an annual financial plan for each year requested by the charter for operation of the school for up to 5 years. This plan must contain anticipated fund balances based on revenue projections, a spending plan based on projected revenues and expenses, and a description of controls that will safeguard finances and projected enrollment trends.

(b) 2. In order to ensure fiscal responsibility, an application for a charter school shall include a full accounting of expected assets, a projection of expected sources and amounts of income, including income derived from projected student enrollments and from community support, and an expense projection that includes full accounting of the costs of operation, including start-up costs.

ISSUE TWO:

WHETHER THE SCHOOL BOARD HAD GOOD CAUSE TO DENY THE CHARTER SCHOOL APPLICATION BASED UPON: "THE GOVERNANCE STRUCTURE WITH A LARGE COMPOSITION OF REPRESENTATIVES OF THE SCHOOL MANAGEMENT PROVIDER OUTSIDE OF THE LOCAL AREA AND THE LACK OF LOCAL REPRESENTATION ON THE BOARD."

- The School Board states that Imagine Schools Non-Profit not only appoints the Board, but it has reserved to itself plenary authority to "replace existing Managers at any time." The Board of Managers itself may appoint officers only with the consent of Imagine Schools Non-Profit. While it is true that currently there are local individuals on the Board of Managers, there is no guaranty that will continue nor is it clear what real authority they will be permitted to exercise. The Operating Agreement makes plain that Imagine Schools Non-Profit has the sole authority to appoint and remove the Board. It is difficult to imagine these Board members will have the opportunity to exercise discretion that is contrary to the wishes of Imagine Schools Non-Profit. In reality, while there may be local representation on the Board of the school, there is no local control of the decision-making for the school.

It is Imagine Schools Non-Profit who directly controls the Board, it is Imagine Schools Non-Profit who provides daily supervision of the school's principal, and it is Imagine Schools Non-Profit who is receiving significant ongoing services. One of the tenets of charter school philosophy is that they are to uniquely support the needs of the families in the local community. Without the ability to have any real local self determination, there is little assurance that the school could fulfill that obligation.

- The Applicant states that not only is denial based on management of the charter school from an out-of-state company an invalid statutory basis for denial, it was not supported by any empirical evidence that management by an out-of-state company would have any adverse impact on the Imagine School at North Port. In fact, the Application as well as testimony by Imagine Schools staff and Imagine North Port Board Members established that the principal of the Imagine School at North Port would have primary management responsibility for the charter school, and would report to a local board (Imagine North Port Board), and receive resources and guidance from Imagine Schools, particularly the senior staff based in Florida. There is absolutely no prohibition for charter schools to contract for services from out-of-state providers.

All five members of the Imagine North Port Board are local residents of Sarasota County, while one member is a resident of Manatee County, which is a neighboring county located immediately north of Sarasota County.

The Application as well as the Final Evaluation clearly state that the Imagine North Port will hold the Charter, and that the Imagine North Port Board would have ultimate responsibility for the operation of the charter school, compliance with the law and accountability to the School Board.

The pertinent Florida Statutes on this issue read as follows:

(6) APPLICATION PROCESS AND REVIEW.--Charter school applications are subject to the following requirements:

(a) A person or entity wishing to open a charter school shall prepare an application that:

1. Demonstrates how the school will use the guiding principles and meet the statutorily defined purpose of a charter school.
2. Provides a detailed curriculum plan that illustrates how students will be provided services to attain the Sunshine State Standards.
3. Contains goals and objectives for improving student learning and measuring that improvement. These goals and objectives must indicate how much academic improvement students are expected to show each year, how success will be evaluated, and the specific results to be attained through instruction.

4. Describes the reading curriculum and differentiated strategies that will be used for students reading at grade level or higher and a separate curriculum and strategies for students who are reading below grade level. A sponsor shall deny a charter if the school does not propose a reading curriculum that is consistent with effective teaching strategies that are grounded in scientifically based reading research.

5. Contains an annual financial plan for each year requested by the charter for operation of the school for up to 5 years. This plan must contain anticipated fund balances based on revenue projections, a spending plan based on projected revenues and expenses, and a description of controls that will safeguard finances and projected enrollment trends.