MEMORANDUM

December 18, 2019

TO: Members of the Charter Schools Committee

FROM: Joseph W. Belluck, Chair

SUBJECT: Approval of the Placement of New Roots Charter School on Probationary Status (Ithaca)

Action Requested

The proposed resolution places New Roots Charter School on probation for charter violations related *inter alia* to low enrollment, fiscal mismanagement, and admitting students outside of the permissible grade range, and implements a remedial action plan the education corporation must follow or be subject to charter revocation pursuant to New York Education Law § 2855.

Resolution

I recommend that the Charter Schools Committee adopt the following resolution:

Whereas on January 2, 2019, the State University of New York Charter Schools Institute (the “Institute”), acting on behalf of the Board of Trustees, offered New Roots Charter School (the “Education Corporation”) the terms of a corrective plan (the “Corrective Plan”) pursuant the Third Renewal Charter Agreement by and between the Board and the Education Corporation dated as of April 10, 2017 (the “Charter Agreement”) for violations of a provision of the Charter Agreement related to enrollment students outside of the grades to be served by the Education Corporation’s school; and
Whereas the Education Corporation did not fulfill all of the terms and conditions of the Corrective Plan by admitting students without evidence of compliance with the Plan; and

Whereas the Education Corporation failed to submit student performance data in the time frame set forth in the Charter Agreement; and

Whereas the Education Corporation has low enrollment, outside the range permitted by the Charter Agreement, which could jeopardize the fiscal soundness of the Education Corporation; and

Whereas the Education Corporation did not submit its audited financial statements to the Institute by the deadline (extended) set forth in the Charter Agreement; and

Whereas the Education Corporation has failed to make timely payments to the New York State Teachers’ Retirement System (“TRS”), making no payments on the 2018 invoices, and currently is in arrears approximately $279,000; and

Whereas the Institute has determined: 1) the Education Corporation has violated the terms of its Charter Agreement; 2) the foregoing violations constitute a material and substantial violations of the Education Corporation’s charter as set forth in Subdivision 2855(1)(c) including fiscal mismanagement, thereby providing grounds for the Board of Trustees to terminate the Education Corporation’s charter, or, pursuant to Subdivision 2855(3), place the Education Corporation on probationary status; and 3) the Board of Trustees should place the Education Corporation on probationary status and provide it the terms of a remedial action plan; now, therefore, be it

Resolved that the Board of Trustees finds that the Education Corporation has materially and substantially violated its charter and engaged in fiscal mismanagement within the meaning of Subdivision 2855(1)(c); and be it further
Resolved that the Board of Trustees places the Education Corporation on probationary status pursuant to Subdivision 2855(3), and will allow the implementation of a remedial action plan for the Education Corporation consisting of at least the following:

The Education Corporation must provide the Institute:

1) by January 1, 2020, final audited financial statements as of June 30, 2019 including management letter;
2) by January 15, 2020, a plan regarding proposed recruitment activities designed to increase enrollment, and provide a budget for same;
3) commencing February 1, 2020, monthly reports regarding current enrollment, and applications received for the 2020-21 school year;
4) by January 31, 2020, a fiscally sound budget through June 30, 2020, based on then current or lower enrollment, which demonstrates the fiscal soundness the Education Corporation, and includes substantial payments to the TRS totaling at least $80,000;
5) monthly unaudited financial statements as well as all board meeting packets provided to Education Corporation trustees;
6) by the dates specified in the Charter Agreement, quarterly unaudited financial reports, annual budgets, annual audits, and annual accountability reports for the remainder of the charter term;
7) documents showing the 2020-21 incoming class meets the age and grade requirements in the Charter Agreement; and,
8) failure of the Education Corporation to comply with the terms of the remedial action plan may result in the Board’s termination of the Education Corporation’s charter;

and be it further

Resolved that the Institute, be, and hereby is, directed to notify the Education Corporation of its probationary status, implement the remedial action plan, which may include such other and further terms as the Institute deems appropriate, and report to the Charter Schools Committee on the Education Corporation’s compliance with such plan.
Background

Pursuant to Resolution No. 2012-038 dated June 12, 2012, the Board of Trustees delegated authority to place charter schools on probation to the Charter Schools Committee.

Based on data reported to, and confirmed by, the SUNY Charter Schools Institute (the “Institute”), New Roots Charter School (the “Education Corporation”) was seriously under enrolled serving as few as 110 students out of a 160 students in violation of section 3.3 of its charter agreement, and serving only 17 incoming 9th grade students. The Institute also did not receive the Education Corporation’s annual independent financial audit on time even though the Institute granted an extension. After consulting with the auditors, school staff, and N.Y.S. Teachers’ Retirement System staff, the Institute was extremely concerned that the reduced enrollment, and retirement system obligations would make it more difficult for the Education Corporation to achieve its academic and financial plans, which ultimately could affect the Education Corporation’s fiscal soundness, and jeopardize the Education Corporation’s ability to fully fund its obligations to its teachers’ retirement.

Separately, the Education Corporation had been on a corrective plan pursuant to section 8.5 of the charter agreement regarding the enrollment of students who did not meet the minimum age and grade requirements in the charter. When the Institute checked records of incoming 9th grade students for the 2019-20 school year, the school still had not fully remedied the situation.

Based on the current level of enrollment at the school, its fiscal health, and the charter violations, the Institute recommends that the Charter Schools Committee place the Education Corporation on probation and implement a remedial action plan.

Pursuant to Education Law § 2855(3), should the remedial action plan be implemented, the Education Corporation’s failure to abide by it strictly could result in the Board of Trustees summarily revoking the Education Corporation’s charter. Charter schools on probation are ineligible for state and federal grants awarded by the Board of Trustees.