

**SCHOOL REFORM COMMISSION
PUBLIC MEETING
PROPOSED RESOLUTIONS**

MAY 25, 2017

I. SCHOOL REFORM COMMISSION

SRC-1 (*Attached*)

Adopts an amended Operating Budget for 2016/2017 and an Operating Budget for 2017/2018

SRC-2 (*Attached*)

Adopts an amended Capital Budget for 2016/2017 and an amended Capital Program for 2017-2022 and Adopts a Capital Budget for 2017/2018 and a Capital Program for 2018-2023

SRC-3 (*Attached*)

Approves an agreement with the Philadelphia Intermediate Unit to provide an educational program and auxiliary services to nonpublic school students for 2017/2018

SRC-4 (*Updated 5.25.17*)

Proposed Action on Revised Charter Application – Deep Roots Charter School

WHEREAS, on or about November 15, 2016, an application ("Application") was submitted for Deep Roots Charter School to the Charter Schools Office of The School District of Philadelphia ("School District") to start a charter school and public hearings were held on the Application in December 2016 and January 2017; and

WHEREAS, by Resolution SRC-1, approved on February 8, 2017, the School Reform Commission ("SRC") denied the Application; and

WHEREAS, on April 10, 2017, a Revised Application was submitted to the Charter Schools Office; now be it

RESOLVED, that, pursuant to the representations, statements and materials contained in the Application, the Revised Application and the concluding document submitted by Deep Roots Charter School and made during the public hearings by representatives for Deep Roots Charter School, the SRC hereby grants a Charter to "Deep Roots Charter School" to operate a public charter school serving Kindergarten through Grade 8 for a five-year period commencing on July 1, 2018 and ending on June 30, 2023, provided that Deep Roots Charter School ("Charter School") submits the following documentation ("Required Documentation") to the Charter Schools Office no later than December 31, 2017:

1. A Code of Student Conduct compliant with all Pennsylvania Public School Code Chapter 12 requirements, in a form acceptable to the Charter Schools Office;
2. An Admissions Policy and Process which complies with the Public School Code and Charter School Law and which includes provisions on application deadlines, recruitment communications, including details on methods to be used to recruit students in an applicable attendance zone, lottery preferences, requested or required enrollment documents, lottery dates, and results, in a form that is acceptable to the Charter Schools Office. The Admissions Policy and Process shall provide that if seats open during the school year or between school years for Kindergarten through Grade 8, the Charter School shall accept new students from the waiting list in appropriate order for particular grades or new applicants if there are no applicants for that grade on the waiting list. The Admissions Policy and Process

also shall provide that the Charter School shall provide a copy of its current waiting list at any time during the Term of the Charter within ten (10) business days after requested by the Charter Schools Office;

3. Bylaws adopted by the Charter School Board of Trustees which provide: (i) that all meetings, including emergency and special meetings, of the Board and Board committees shall be held and publicly noticed in accordance with the Sunshine Act; (ii) that actions by committees of the Board shall not constitute action of and cannot bind the Board of Trustees or the Charter School; and (iii) that members of the Board shall not be removed without cause; and be it

FURTHER RESOLVED, that the Charter School shall submit the following documentation (“Required Documentation”) to the Charter Schools Office no later than June 1, 2018:

1. Evidence that the Charter School’s school leader identified in the Revised Application holds an administrator certification valid in the state of Pennsylvania or the name, resume and proof of certification for an alternate school leader who is directly employed as a full-time school based leader, certified in Pennsylvania;

2. Evidence that the Charter School has appropriately budgeted for and hired a certified instructional staff consistent with Pennsylvania requirements for staff certification and expected student enrollment levels, including but not limited to English as a Second Language and special education staff; and be it

FURTHER RESOLVED, that the Charter for the Charter School shall contain the following terms and conditions:

1. The Charter School shall be authorized to operate only as a Kindergarten to Grade 8 charter school starting in the 2018-2019 school year with a maximum enrollment of 300 students in Kindergarten through Grade 4 in 2018-2019, 360 students in Kindergarten through Grade 5 in 2019-2020, 420 students in Kindergarten through Grade 6 in 2020-2021, 480 students in Kindergarten through Grade 7 in 2021-2022, and 540 students in Kindergarten through Grade 8 in 2022-2023 and any renewal of the Charter, unless the parties agree in writing to other terms. Under no circumstances will the Charter School request payment from either the School District or the Pennsylvania Department of Education for more students than set forth herein or enroll students in different grades, without authorization by the SRC by resolution approved at a public meeting;

2. The Charter School shall participate in the School District’s charter school performance framework and monitoring system as set forth in the School District charter school policies and procedures and any amendments thereto. The charter school performance framework will include annual evaluations of the Charter School’s academic, financial, and organizational performance. The Charter School agrees to submit or allow to be submitted to the Charter Schools Office all student level academic information and any school-level data required for assessment of academic and organizational performance as part of the charter school performance framework and monitoring system; and

3. If the Charter School achieves a ranking in the bottom two levels on the School District’s School Progress Report, or its subsequent replacement, during any year of the term of the Charter, the Charter Schools Office may require that the Charter School meet certain specific student achievement targets and participate in ongoing progress reporting; and

4. If by the end of its third year of operation, as reported after the end of the third school year, the Charter School has not (i) achieved Grade 4 Science PSSA proficiency at or above two of the following three averages: the School District average, the charter school sector average, or the Charter School's SPR

Peer Group average (or subsequent peer group developed by the School District), and (ii) demonstrated growth above the Pennsylvania State standard (currently measured by the Average Growth Index (AGI) as >-1.0), the Charter School must submit to the Charter Schools Office evidence of data-driven instructional shifts and any planned curricular changes to the Science curriculum; and

5. By June 30, 2019, the Charter School shall submit to the Charter Schools Office a report documenting the percentage of students enrolled in the Charter School as of October 1, 2018 who remained enrolled throughout the 2018-2019 school year; the number of students who received at least one out-of-school suspension during the 2018-2019 school year; the total number of out-of-school suspensions during the 2018-19 school year; and the total number of days of out-of-school suspension during the 2018-19 school year; and be it

FURTHER RESOLVED, that the written Charter shall be issued to the Charter School upon the Charter Schools Office's receipt of satisfactory Required Documentation as set forth above, which Charter shall be signed by the Charter School on or before June 1, 2018. The SRC hereby delegates authority to determine compliance with the requirements of this Resolution to the Chief of Staff of the SRC. Failure of the Charter School to submit satisfactory Required Documentation or to sign the Charter by June 1, 2018, or by the end of any extension period granted by the SRC Chief of Staff, shall void this Resolution and shall cause the SRC to re-vote on the Revised Application within thirty (30) days after June 1, 2018, or the expiration of any extension period, whichever is later. Notice of voiding this Resolution for failure to submit the Required Documentation or the signed Charter shall be issued by the Chair of the SRC. Notwithstanding these provisions, the Charter granted herein will not take effect until the written Charter has been signed and delivered by the Chair of the SRC and the Chair of the Charter School's Board of Trustees, or another duly designated member of the Board.

SRC-5 (Updated 5.25.17)

Proposed Adoption of Adjudication – Laboratory Charter School of Communication and Languages

WHEREAS, by Resolution No. SRC-12, approved on May 1, 2017, the School Reform Commission denied the Amendment Request of Laboratory Charter School for Communication and Languages ("Charter School") to change the location of the Charter School; NOW BE IT

RESOLVED, that the SRC adopts the attached Adjudication as the reasons for its decision to deny the Charter School's Amendment Request.

II. EDUCATION SUPPORT SERVICES

A-1 (Added 5.23.17)

Operating Budget: Amendment of Lease Agreement with 18 South Seventh Street Associates, L.P. – Constitution High School

RESOLVED, that the School Reform Commission authorizes The School District of Philadelphia, through the Superintendent or his designee, to execute, deliver and perform an amendment of a Lease Agreement originally entered into with 18 South Seventh Street Associates, L.P., pursuant to Resolution No. A-25, approved by the School Reform Commission on April 20, 2005, and extended pursuant to Resolution No. A- 26, approved by the School Reform Commission on September 17, 2015, for the lease of the 62,023 square-foot building located at 18 South 7th Street, which the School District uses to operate Constitution High School, by extending the term of the lease from its scheduled expiration date of July 31, 2018 and by increasing the rent for the first year by 2% of the Extended Term, commencing August 1, 2018 through July 31, 2019, to an annual rate of \$1,170,374 (\$18.87 per square foot) and by increasing the rent by 2% for the second year of the Extended Term from August 1, 2019 to July 31, 2020, to an annual rate of \$1,193,781 (\$19.25 per square foot) and by increasing the rent by 2% for the

third year of the Extended Term from August 1, 2020 to June 30, 2021 at an annual rate of \$1,217,656 (\$19.62 per square foot). During the Extended Term, the School District also will pay for cleaning and utilities (including water, gas and electric service), for an aggregate amount not to exceed \$500,000. The terms of the amendment must be acceptable to the School District's Office of General Counsel and the Office of Risk Management.

Description: Since 2005, the School District has operated the award-winning Constitution High School ("Constitution HS") in the building located at 18 South 7th Street, Philadelphia, PA in a cooperative arrangement with the Constitution Center, which is located nearby. This school serves 425 students in grades 9 through 12. The School District is currently exploring appropriate alternative locations for Constitution HS that will offer the students the benefits they receive at their current location while offering long-term operating cost savings to the School District.

The three-year term is contingent on the School District of Philadelphia Administration presenting a final plan and recommendation for the permanent relocation of Constitution High School by May 2018. The District should also communicate to all incoming and future students that this school will have a different physical location in SY-21-SY-22.

ABC Code/Funding Source

1100-031-9fp0-2628-4411 Operating (\$1,170,374.00)

1100-031-9fp0-2628-4411 Operating (\$1,193,781.00)

1100-031-9fp0-2628-4411 Operating (\$1,217,656.00)

A-2 (Updated 5.25.17)

Operating Budget: Amendment of Lease Agreement with 2130 Arch Street Associates, L.P. – Science Leadership Academy

Resolved, that the School Reform Commission authorizes The School District of Philadelphia, through the Superintendent or his designee, to execute, deliver and perform an amendment of a Lease Agreement originally entered into with 2130 Arch Street Associates, L.P., pursuant to Resolution No. A-13, approved by the School Reform Commission on November 9, 2005, and extended pursuant to Resolution A-25, approved by the School Reform Commission on September 17, 2015, for the lease of 75,000 square feet in the building located at 2130 Arch Street, which the School District uses to operate the Science Leadership Academy, by extending the term of the lease from its scheduled expiration date of July 31, 2018 and by increasing the rent by 2% for the first year of the Extended Term, commencing August 1, 2018 through July 31, 2019, to an annual rate of \$1,524,645 (\$20.33 per square foot). During the Extended Term, the School District also will pay for cleaning and utilities (including water, gas and electric service), for an aggregate amount not to exceed \$175,000. The terms of the amendment must be acceptable to the School District's Office of General Counsel and the Office of Risk Management.

Description: Since 2005, the School District has operated the award-winning Science Leadership Academy ("SLA") in the building located at 2130 Arch Street, Philadelphia, PA in a cooperative arrangement with the Franklin Institute, which is located nearby. This school serves 500 students in grades 9 through 12. The School District is currently exploring appropriate alternative locations for SLA that will offer the students the benefits they receive at their current location while offering long-term operating cost savings to the School District.

This extension allows the District time to consider permanent options for the physical location of the school and colocation may be considered as one such option. The District should also communicate to all incoming and future students that this school will have a different physical location in SY-19- SY-20.

ABC Code/Funding Source

1100-031-9fp0-2628-4411 Operating

III. EDUCATION SERVICES

None Submitted

IV. INTERMEDIATE UNIT

IU-1 (*Attached*)

Adopts an amended Philadelphia Intermediate Unit Budget for 2016/2017 and a Philadelphia Intermediate Unit Budget for 2017-2018

IU-2 (*Attached*)

Approves an Agreement with the Philadelphia School District to provide an educational program and auxiliary services to nonpublic school students for 2017-2018

**THE SCHOOL DISTRICT OF PHILADELPHIA
THE SCHOOL REFORM COMMISSION**

**IN RE: LABORATORY CHARTER SCHOOL
OF COMMUNICATION AND LANGUAGES**

AMENDMENT REQUEST

ADJUDICATION

The School Reform Commission ("SRC") adopts this Adjudication regarding the November 30, 2016 Amendment Request ("Amendment Request") filed by the Laboratory Charter School of Communication and Languages ("Charter School" or "Laboratory") with the Charter Schools Office ("CSO") of The School District of Philadelphia ("School District"). For the reasons that follow, the Amendment Request is DENIED.

I. Findings of Fact

1. The School District is a home rule school district of the first class organized and existing under the Pennsylvania Public School Code and the Philadelphia Home Rule Charter.
2. The School District was declared a distressed school district under Section 691(c) of the Distressed School Law, 24 P.S. § 6-691(c), and has been governed by the SRC since December 21, 2001.¹
3. The SRC currently authorizes 86 operating charter schools in the City of Philadelphia serving more than 65,000 students.
4. The CSO assists the SRC and the School District in meeting their legislative obligations under the Charter School Law, 24 P.S. § 17-1701-A *et seq.* ("CSL"), and to promote accountability by exercising oversight for educationally sound and fiscally responsible charter schools as a means of improving academic achievement and strengthening school choice options in the School District.
5. The CSO received the Charter School's Amendment Request on November 30, 2016. (LAB 1-7).²

¹ The Distressed School Law was added to the Public School Code by the Act of Dec. 15, 1959, No. 1959-675, § 2, P.L. 1842, 1844, as amended, 24 P.S. §§ 6-691 to 6-697, as a second article numbered "VI(f)." Special provisions relating to school districts of the first class were added in 1998 and later years.

² The record in this proceeding will be referred to by reference to the Bates Stamped number beginning with the prefix "LAB."

6. The CSO communicated on several occasions with the Charter School regarding the Amendment Request; requested additional documents and information from the Charter School in response to the Amendment Request; evaluated the Amendment Request and pertinent operations and data for the Charter School; and provided the SRC with an Evaluation Report and recommendation to assist the SRC in rendering a decision in this matter.

7. The CSO's Evaluation Report was made available to the SRC, the Charter School and the public prior to the SRC voting on the Amendment Request.

8. The SRC has reviewed and evaluated the record in this matter, which is comprised of the following documents and information:

- a. November 30, 2016 email and building layout plan constituting the initial Amendment Request (LAB 1-7);
- b. Various communications between the CSO and Laboratory regarding the request, including supportive materials submitted by Laboratory (LAB 8-86, 371-382);
- c. The Charter Amendment Evaluation Report issued by the CSO (LAB 87-97);
- d. The CSO Renewal Recommendation Report (LAB 107-135);
- e. Auditor reports and letters for FY13, FY14, FY15 and FY16 (LAB 187-370);
- f. The current Charter issued to Laboratory (LAB 136-186);
- g. Resolution No. SRC-2, adopted by the SRC on May 1, 2017, instituting nonrenewal proceedings against Laboratory (LAB 100-106); and
- h. Resolution No. SRC-12, adopted by the SRC on May 1, 2017, denying the Amendment Request (LAB 98-99).

Facts Pertinent to the Amendment Request

9. Laboratory currently serves approximately 640 students in Kindergarten through grade 8 in three different facilities in Philadelphia. (LAB 89).

10. Historically, Laboratory enrolled a relatively small percentage of special education students in comparison to School District and charter sector averages. In the 2015-2016 school year, 6% of Laboratory students were special education students. (LAB 101).

11. The term of the Laboratory's current Charter is July 1, 2012, through June 30, 2017. (LAB 145).

12. Laboratory is permitted to enroll up to 1075 students under its Charter (LAB 149), which is approximately 435 students more than the Charter School's actual enrollment in the 2015-2016 and 2016-2017 school years. (LAB 89, 111).

13. During the 2016-2017 school year, the CSO evaluated Laboratory's request for renewal of its charter by performing a comprehensive review of Laboratory's performance and operations. Following that review, the CSO issued a report recommending to the SRC that Laboratory's Charter not be renewed. (LAB 107-135).

14. The renewal recommendation report (LAB 107-135) outlines many areas of noncompliance and concern justifying grounds for nonrenewal under 24 P.S. § 17-1729-A(a), including, but not limited to the following:

- Failure to post child find policy and provide evidence of a school-wide screening process for special education students
- Laboratory's enrollment application seeks improper information from students
- Failure to hold a compliant lottery and wait list management process
- Laboratory's Code of Student Conduct does not identify due process rights of both special education and nonspecial education students
- Board minutes of the Laboratory Board of Trustees were not in compliance with the Sunshine Act
- Noncompliance with Ethics Act requirements related to the filing of Statements of Financial Interest
- Failure of the Laboratory Board to vote on charter administrator appointments during the charter term
- Failure to ensure that all special education teachers have valid, appropriate certification in violation of the Charter School Law and 22 Pa. Code Chapter 711
- Failure to comply with highly qualified teacher requirements in 2012-2013, 2013-2014, 2014-2015 and 2015-2016 school years
- A building leader in one of the three buildings did not have a valid, appropriate certification as a school leader in November 2016
- Clearances and background checks were missing from multiple personnel files in violation of the Charter School Law and other applicable law
- Failure to maintain a school physician in the 2013-2014 school year and failure to perform health screenings in multiple years in violation of applicable law
- Failure to complete PDE-4101 forms relating to fire drills and bus evacuation drills in compliance with applicable law in 2012-2013, 2013-2014, 2014-2015 and 2015-2016 school years
- Lack of valid certificates of occupancy for any of the three facilities currently in use
- Late filings of independent financial audits for 2013-2014 and 2014-2015 school years
- Violations of generally accepted standards of fiscal management in terms of days of cash on hand, margin ratio, debt ratio, net position, etc.
- At the end of each school year 2012-2013, 2013-2014 and 2014-2015, Laboratory's independent financial auditors found one or more deficiencies in internal controls, including material weaknesses related to financial reporting, bank reconciliations, accounts payable reconciled to general ledger and maintenance of fixed asset records
- Laboratory failed to make timely payments to the Public School Employees Retirement System during the term of its Charter, resulting in five withholdings from the School District's State payments during the term totaling approximately \$220,000.

15. At a public meeting on May 1, 2017, the SRC approved Resolution No. SRC-2 (“SRC-2”) instituting nonrenewal proceedings against Laboratory. (LAB 100-106).

16. Laboratory’s Amendment Request seeks a location change beginning in the 2017-2018 school year. Specifically, Laboratory seeks to consolidate the operations under its charter, which are currently operating in three different facilities, into one facility located at 3300 Henry Avenue. (LAB 1-7).

17. The CSO evaluated the Amendment Request and provided a review of their findings and concerns to the SRC. (LAB 87-97). The recommendation from the CSO is as follows:

The CSO recommends that the SRC deny Laboratory Charter’s request for a facility change. The Charter School is being recommended for non-renewal and has not demonstrated organizational and financial compliance throughout the most recent charter term. Further, the Charter School has not submitted a plan for the proposed facility change that is financially viable and would ensure adequate educational services for students.

(LAB 91).

18. The CSO’s findings regarding the Amendment Request, which are found to be supported by the record, are incorporated herein and are highlighted here in part:

Staffing Plan

The Charter School submitted a budget that included a staffing plan for the first year after the move to a new facility, the 2017-18 school year. In this year, the school proposes to add 124 additional students under its current maximum authorized enrollment. As Laboratory Charter is already authorized to enroll a maximum of 1,075 students and as this amendment is primary related to a facility change, a detailed five-year staffing plan in alignment with the planned enrollment changes was not requested from the Charter School.

According to the budget submitted by the Charter School, in Year 1 of the proposed enrollment change, Laboratory Charter proposes to add eight (8) new positions, including three teachers and three aids, and to eliminate the Vice Principal position. The proposed budget does not indicate the addition of any Special Education positions, which is a significant concern given the Charter School’s expected increase in the percentage and number of enrolled students who would qualify for Special Education services (see additional details below). Currently, the school employs three Special Education teachers to serve approximately 40 students with an Individualized Education Program (IEP).

Finance and Facilities

Currently, Laboratory Charter serves 640 students in Kindergarten through Grade 8 across three locations; these three locations are expected to operate as one charter school under one charter agreement. Students in Kindergarten through Grade 3 are educated at 5901 Woodbine Avenue, and students in Grades 4 through 8 are educated at 5339 Lebanon Avenue, both in zip code 19131 and both in the Overbrook section of Philadelphia. A third facility located at 800 Orianna Street, zip code 19123, in the Northern Liberties neighborhood also serves students in Kindergarten through Grade 8. The Charter School proposes a facility change whereby all three locations would be consolidated into one building, located at 3300 Henry Avenue, zip code 19129, in the East Falls neighborhood.

The Charter School presented a facility plan whereby it would relocate all students to the 2nd and 3rd floors of 3300 Henry Avenue. It has submitted a lease for the 2nd and 3rd floors of the building known as Unit 2 of the Falls Center Condominium. The lease terms include an agreement to lease approximately 51,000 square feet of rentable space, which equates to approximately 80 square feet per student for the current student population of 640. However, by Year 2 of this charter amendment, school year 2018-19, when the charter school proposes to enroll 913 students, this would equate to only 56 square feet per student, which is a concern if the Charter School is not leasing additional square footage in Year 2. According to the terms of the lease, an additional approximately 13,000 square feet would be added to the lease in the third year of the rental agreement. Included in the lease, the Charter School also plans to rent a 4,000 square foot outdoor play area, and a parking garage is also included in the rental agreement as well. The lease submitted by the Charter School is a 10-year lease, to begin no sooner than August 1, 2017, with the option for one additional extension of 10 years. The specific commencement date for the lease is to be determined, and according to the lease, will be dependent upon the receipt by the landlord of a temporary Certificate of Occupancy (COO) for the premises from the City of Philadelphia. The lease includes an option for the tenant to terminate if the SRC has not approved the facility change and charter renewal by April 28, 2017. Additionally, the lease indicates that the tenant acknowledges the landlord may stop or delay work to prepare the facility if the SRC does not vote by this date.

According to the lease, the base rent would be \$597,000 per year in Year 1, increasing to \$898,000 in Year 5 and \$1,016,000 by Year 10. These numbers suggest that the Charter School may be planning to increase the square footage rented in subsequent years, although apart from the increase referenced in the lease for Year 3, such information was not clearly stated in the documents submitted.

The site plans submitted by the Charter School indicate that the Kindergarten through Grade 2 classrooms would be located on the 3rd floor of the building, with upper grades on the 2nd floor. This raises questions regarding safe egress and outdoor access for the youngest students. The site plan also included mention of

'initial premises' versus an 'expansion area'. These terms were not explained in the narrative, but the lease implied that the 'expansion area' referred to additional square footage that would be rented by the Charter School in Year 3.

In addition to the concerns and outstanding questions presented above regarding rental costs and square footage in the out years, the CSO's greatest concerns relate to the location of the proposed new facility in relation to the Charter School's existing facilities and lack of certification for the new facility. The distances between each of the existing facilities and the new facility at 3300 Henry Avenue are detailed in the table below.

Table 3: Travel Distances from Current Facilities

Current Facility	Grades Served	Distance to New Facility	Estimated Septa Commute Time*
5339 Lebanon Ave	4-8	~4.5miles	45 minutes w/ 2-3 connections
5901 Woodbine Ave	K-3	~5miles	N/A — students would be bussed or brought by parents
800 Orianna Street	K-8	~5miles	1 hour w/ 2-3 connections

*Septa commute times are for students not eligible for yellow buses, primarily those students in middle school grades.

As evidenced in the table above, transportation is likely to be a significant concern for many students, including for Kindergarten students who have already enrolled in the Charter School for school year 2017-2018 but who are not eligible for District bus service. For other students, the majority of them likely would receive District bus service or would be provided with Septa TransPasses to the new location. However, given the transit times noted above and the limited public transit options near the proposed location, it is likely that the commuting time would [sic] prove to be prohibitive for many students.

Additionally, the Certificates of Occupancy (COOs) submitted by the Charter School for the facility at 3300 Henry Avenue appear to be for medical offices (dated 1986) and for a medical college and hospital (dated 1974). These do not present as valid for school use. A clause in the lease submitted by the Charter School implies that the landlord is seeking an updated temporary COO, but the Charter School did not supply any details about this process or about the date by which a valid COO might become available.

As indicated in the 2016-17 *Charter School Renewal Recommendation Report*, the Charter School did not meet the standard for financial health and sustainability throughout the charter term. Six evaluative metrics measured the Charter School's short-term financial health and long-term financial sustainability over the four fiscal years of available data for the charter term. There were nine instances of the Charter School meeting metric standards, nine instances of the Charter School approaching metric

standards, and six instances of the Charter School being significantly below metric standards. All of the Charter School's long-term financial sustainability metrics approach the standard; the Charter School had only 14 days cash on hand[sic] in FY16. The District's OAS conducted components of the assessment of generally accepted standards of fiscal management for the Charter School. Issues regarding audit findings, failure to make required PSERS payments, and payroll were identified during the audit and assessment of generally accepted financial practices of the Charter School.

The Charter School submitted a budget for the 2017-18 school year detailing the changes in expenses and revenues following the proposed move. The CSO identified several concerns associated with Laboratory Charter's budget and financial plan for the proposed facility change.

First, the rental and facility costs for school year 2017-18 would more than double over current year expenditures, while the Charter School's enrollment would increase by only 20%.

A second concern relates to Laboratory Charter's anticipated student enrollment. As noted above, the Charter School anticipates enrolling an additional 124 students for school year 2017-18 at the new facility. For budgeting purposes, the Charter School is assuming enrollment of an additional 30 Special Education students in that year, which is a very high percentage compared to the Special Education population in the existing student population (6.3%). The enrollment of an additional 30 Special Education students in one year would mean that 24% of newly enrolled students would qualify for Special Education services, and would increase the Charter School's overall Special Education population to 10%.

The CSO raises several concerns with this aspect of the budget plan. First, the Charter School has not provided any context or rationale for this significant increase in the percentage of enrolled students qualifying for Special Education. It is not clear why the school would anticipate enrolling new students with significantly higher Special Education needs than both the current school population and the School District of Philadelphia. Further, if such a population is expected at the Charter School for school year 2017-18, the Charter School should have budgeted for the appropriate additional Special Education staff, which it has not done. Finally, Special Education was one of the areas rated Does Not Meet Standard in the comprehensive renewal evaluation. Balancing the Charter School's budget on a significant increase in students receiving Special Education services raises additional compliance concerns, especially as the Charter School was not found to have sufficient evidence of a compliant school-wide screening process for Special Education services.

As currently proposed, the Charter School's budget for school year 2017-18 is heavily dependent upon this planned increase in Special Education students. An alternate estimate calculated with only 10% of new enrollees (or 12 to 13 students) qualifying for Special Education services would reduce the expected 'revenue over expenditures' from \$314,009 down to only \$46,626. This change in net position of approximately \$47,000 does not account for the hiring of any additional Special Education staff to

serve the additional 13 students. The Special Education caseload with the additional 13 students included (53 total Special Education students) would be 18:1. Since the Charter School's current Special Education caseload is 13:1, 13 new students should lead to the hiring of one new Special Education staff member, which would likely force the Charter School into a negative net position for the school year.

In summary, Laboratory Charter has submitted a budget that seeks to demonstrate that the increased facilities expenditures can be met by the planned increases in student enrollment, but that is the case only if the Charter School significantly increases the number and percentage of enrolled Special Education students, for whom it has not planned to hire adequate staff to provide services.

Family and Community Engagement and Support

The Charter School has indicated that for the past several years, parents and students have been requesting that the Board of Trustees identify an upgraded facility for the school. Therefore, school leadership views this location change request as responsive to parent and student preferences.

In order to notify current students about the proposed changes, the school has posted a video on its website showing the outside and inside of the proposed new facility. Additionally, on February 6, 2017 the Charter School sent a letter notifying current families about the proposed move and indicating that beginning in the 2017-18 school year, the school would participate in bus service provided by the School District of Philadelphia. (Currently, the Charter School does not participate in the District's bus service nor does it provide its own bussing for its students.) On February 8, 2017, the Charter School sent another letter to current families, explaining the intent to enroll process and indicating that there would be a discussion of the proposed new facility at the February 15, 2017 board meeting. Parents were invited to attend this meeting.

In order to demonstrate support for the move among current families, the Charter School submitted to the CSO a sample of the intent to return forms sent to families, which contained information about the new proposed location. The Charter School indicated that 93% of current students returned the form expressing their intent to return to the school next year at the new location, although documentation of this assertion was not provided to CSO. However, as noted above, the CSO raises a concern that the time spent commuting to the new facility either via District bus service or via Septa will [sic] prove to be prohibitive for many currently enrolled students who reside several miles distant from the proposed new location.

The Charter School also provided feedback from students and staff members supporting a facility change, in the form of survey results. A majority of teachers reported that they had at some point taught in a space that was not intended to be a classroom, that they lacked space for collaborating with peers, that having a media/library center would improve their programming, and that they had missed instructional days during the 2016-17 school year due to facilities issues. Students reported that a gym, school library, and outdoor play space would improve their

school. They also indicated the need for an art room, science lab, and computer/technology space. However as the proposed facility is not currently [sic] certified by the Philadelphia Licenses and Inspection unit as appropriate for a school facility, it has not been demonstrated that the proposed facility is suitable or compliant with current licensing requirements to serve as a public school facility.

(LAB 93-97).

19. At a public meeting on May 1, 2017, the SRC approved Resolution No. SRC-12 denying Laboratory's Amendment Request. (LAB 98-99).

II. Conclusions of Law

1. The CSL does not authorize or condone the amendment of a charter once a charter is issued following the filing and consideration of a new charter school application pursuant to the requirements of 24 P.S. § 17-1717-A. *See Discovery Charter School v. School District of Philadelphia*, 111 A.3d 248, 252-53 (Pa. Cmwlth. 2015), appeal granted, 135 A.3d 581 (Pa. Apr. 26, 2016).³

2. The CSL does not contain any explicit procedural or substantive requirements relative to amendment requests to guide or inform the School District's consideration of amendment requests.

3. Assuming charter amendment requests are even viable under the CSL, amendment requests should be reviewed in accordance with the intent and purpose of the CSL, as outlined in 24 P.S. § 17-1702-A, and in accordance with the CSL provisions outlining the standards for authorizing charter applications and for revoking or not renewing a charter school's operations, namely those standards found in 24 P.S. §§ 17-1717-A(e), 17-1719-A and 17-1729-A(a).

4. Different amendment requests require different and unique considerations depending upon the nature of what is being sought and the effect that those changes would have on the charter school's operations.

5. The SRC and the CSO have discretion to determine what reasonable information will be sought from each Charter School seeking an amendment to its Charter, and that information is dictated by what the amendment seeks.

6. Amendment requests that seek facility changes to a charter trigger considerations of several factors, including without limitation: (i) the rationale for the proposed change; (ii) the charter school's fiscal experience and the fiscal implications of the change; (iii) the impact of the

³ The Pennsylvania Supreme Court has granted the School District's appeal in *Discovery* to decide, *inter alia*, whether "the Commonwealth Court err[ed] when it created an extra-legislative scheme for amending charters that is not contained in the [CSL]." Argument in that case has occurred and the parties await a decision from the Court. For purposes of the instant adjudication, the SRC does not concede or waive its right to contest in any subsequent appeal the availability of, or right to, an amendment process under the CSL.

change on the existing student body, families and staff; (iv) staffing considerations given the proposed changes; (v) community engagement and support regarding the change; (vi) zoning, timeline for project completion, occupancy issues and other pertinent information about the facility; and (vii) information relative to the financing of the proposed facility such as lease or purchase arrangements. Such considerations mirror the applicable standards set forth in 24 P.S. §§ 17-1717-A and 17-1719-A for the review and evaluation of new charter school applications, and the standards set forth in 24 P.S. § 17-1729-A(a) for the revocation or nonrenewal of charters.

7. While a charter school seeking an amendment need not comply with all of the requirements set forth in 24 P.S. § 17-1719-A in terms of the type of information to be included in the amendment request and/or supplied to the SRC, the request should include sufficient information addressing the pertinent aspects of Section 1719-A in relation to what is being sought by the Charter School. *See, e.g. Montessori Regional Charter School v. Millcreek Tp. School Dist.*, 55 A.3d 196, 203 (Pa.Cmwlth. 2012) (interpreting information sought by the school district in response to the amendment request in comparison to Section 1719-A requirements).

8. In addition to the aforementioned considerations, whether the Charter School has operated as a high-performing and high-quality charter school prior to seeking the amendment request, under the standards set forth in 24 P.S. § 17-1729-A(a), is relevant to the determination of whether the request should be granted. *See, Penn Hills Charter School of Entrepreneurship v. Penn Hills School District*, CAB No. 2015-02, at 8, citing *Discovery Charter School* and *Northside Urban Pathways Charter School*, *supra*.

9. A high-performing and high-quality charter school is one that: (i) operates in accordance with applicable laws; (ii) operates in accordance with its Charter and charter application; (iii) consistently improves academic achievement equitably for all students and meets the Pennsylvania standards for student academic growth in accordance with Chapter 4 accountability systems; (iv) consistently outperforms the schools within the School District in terms of academic achievement, as measured by the School District's average results, the average results for the charter school sector and peer school results; (v) is fiscally sound and operates in accordance with generally accepted standards of fiscal management and audit requirements; (vi) exhibits enrollment practices that are not burdensome on families or raise enrollment barrier concerns, except to the extent that the Charter permits limiting enrollment to a particular group of students; and (vii) ensures that all associated individuals (board members, administrators and staff), in the performance of their duties, comply with governance standards applicable to public charter schools.

10. The record establishes that Laboratory's Amendment Request should be denied at this time because the Charter School's operations do not appear to be of sufficient quality or to be in compliance with applicable law, generally accepted standards of fiscal management or its Charter. In addition, the CSO has advanced grounds for the nonrenewal of Laboratory's charter, and those nonrenewal proceedings have commenced with the adoption of SRC-2.

III. Analysis

A. The Charter School Has Not Demonstrated Compliance With Applicable Law And Generally Accepted Standards Of Fiscal Management And Audit Requirements.

The evidence in the record raises concerns that the Charter School has not demonstrated continued and consistent compliance with applicable laws and generally accepted standards of fiscal management and audit requirements. Because of these concerns, the SRC finds that the requested location change in order to consolidate the Charter School's current operations at three different facilities into one facility is not justifiable under the current circumstances.

The CSO's comprehensive renewal report raises significant and concerning findings about Laboratory's operations during the current Charter term. A myriad of issues appear to exist surrounding Laboratory's compliance with applicable law pertaining to certification and qualifications of staff; special education programming; fiscal mismanagement and audit requirements; violations of the Sunshine Act and the Public Employees and Officials Ethics Act; violations of school health and safety laws applicable to charter schools; and admission practices violations. Given these issues and concerns, the grounds for nonrenewal laid out in SRC-2 adopted by the SRC on May 1, 2017, and the impending nonrenewal hearings, the SRC must deny the Amendment Request at this time.

B. The Amendment Request Does Not Propose A Plan That Is Financially Viable Or Ensure Adequate Educational Services For Students.

The Amendment Request submitted by Laboratory does not propose a plan that is financially viable. Nor does the proposal provide assurances for the provision of adequate educational services for students under the circumstances proposed by Laboratory. These are additional grounds to justify denial of the Amendment Request.

The enrollment expansion plan outlined to justify the budgetary expenditures for the new facility, and the corresponding revenue expectations, are unrealistic, not supported by information in the record, and contrary to the Charter School's own historical enrollment experiences. As a result of the proposed lease for the new facility and corresponding expenses to change facilities, Laboratory's budgeted site costs for 2017-2018 will increase from \$533,308 in 2016-2017 to \$1,131,470. (LAB 78). To cover those costs, in part, the Charter School has banked on 24% of the 124 new students (over and above the existing student population) to be enrolled in the new facility in the 2017-2018 school year to be special education students (LAB 95); yet the Charter School has not enrolled more than a 6% special education population in the current charter term.

No data was submitted to support the basis for such an uncharacteristic increase in Laboratory's anticipated special education population for the 2017-2018 school year, such as intent to enroll forms from parents of special education students. Laboratory's proposed budget for the new facility in the 2017-2018 school year relies on the unsupported increase in the special

education students in order to fund the lease for the new site. (LAB 79). Notably, expenses from 2016-2017 to 2017-2018 are scheduled to increase by approximately \$1 million, and revenues are expected to increase by \$1.2 million. (LAB 79). Over \$700,000 of the revenue increase results from the increase of 30 additional special education students out of the 124 additional seats. (LAB 79). These revenue forecasts are not realistic in light of Laboratory's experience. If Laboratory's actual special education enrollment during the 2017-2018 school year mirrored its existing population, Laboratory would not be able to sufficiently fund the increased site costs for the new facility and would be in a deficit position. (LAB 96).

Given Laboratory's fiscal challenges during the current Charter term and the lack of support documentation for the proposed budgetary expenditures, the SRC finds that Laboratory's proposed 2017-2018 budget is not based on reasonable assumptions. *See, e.g. McKeesport Area Sch. Dist. v. Young Scholars of McKeesport Charter Sch.*, No. 373 C.D. 2015 (Pa.Cmwlth., filed July 13, 2015) (unreported decision).

Another problem related to the budgeted increase in special education revenue is a failure to budget corresponding increases in special education teachers to serve those 30 additional special education students. Only three special education teacher positions are budgeted for 2017-2018, which is the same number of special education teacher positions as in 2016-2017. (LAB 77). Again, the failure to account for the corresponding increased staffing expenditures associated with enrolling additional special education students is not a reasonable assumption.

The SRC also notes that the 3300 Henry Avenue facility is not licensed for use as an educational facility. Laboratory did not provide any information that would address the timeline within which suitable occupancy permits could be procured through the Philadelphia Licenses and Inspection Unit in order to move the entirety of the Charter School's operations from the three existing facilities into the Henry Avenue location before the start of the 2017-2018 school year. The lease indicates only that the Charter School ("Tenant") will not be able to occupy the 3300 Henry Avenue facility any earlier than August 1, 2017. (LAB 18). Additional provisions in the lease (specifically Paragraph 3.f.i.) raise concerns that the facility would not, in fact, be available for occupancy before the start of the 2017-2018 school year.

Notably, the lease submitted by Laboratory was not signed by any representative of 3300 Henry LP, the Landlord of 3300 Henry Avenue. (LAB 55). The SRC does not have any indication that 3300 Henry LP is willing to lease the premises to the Charter School, as there is no other letter or communication in the record supporting such a willingness.

Thus, the Amendment Request submitted by Laboratory does not propose a plan that is financially viable; does not provide assurances for the provision of adequate educational services for students under the circumstances proposed by Laboratory; nor provide assurances that the proposed facility would be available for occupancy for the 2017-2018 school year. These are additional grounds to justify denial of the Amendment Request.

SRC-5
May 25, 2017

RESOLUTION

Re: Laboratory Charter School for Communication and Languages; Adoption
of Adjudication – Denial of Material Charter Amendment

WHEREAS, by Resolution No. SRC-12, approved on May 1, 2017, the School Reform Commission denied the Amendment Request of Laboratory Charter School for Communication and Languages (“Charter School”) to change the location of the Charter School; NOW BE IT

RESOLVED, that the SRC adopts the attached Adjudication as the reasons for its decision to deny the Charter School’s Amendment Request.

ORDER

For the reasons set forth above, the November 30, 2016, Amendment Request filed by Laboratory Charter School of Communication and Languages is hereby **DENIED**.

Date: May 25th, 2017

Joyce S. Wilkerson
Joyce Wilkerson
Chair

