

Maine Charter School Commission

March 30, 2013

Government Oversight Committee
Office of Program Evaluation and Government Accountability
State of Maine Legislature

To the Members of the Government Oversight Committee:

It has come to the attention of the Maine Charter School Commission that you will be holding a hearing on a request from the Joint Standing Committee on Education for OPEGA to conduct a review of Baxter Academy. The review would encompass the Charter School Commission's process, standards and activities in particular as it relates to Baxter Academy as well as the financial viability of Baxter Academy.

Baxter Academy has gone through a rigorous evaluation process to reach its current contract stage. Since the school has not been given final approval for a September opening, there have been absolutely no public funds involved in their project. All of their income to date has been money privately raised and they would receive no public funds until September, 2013, if approved to open.

All potential applicants follow the same procedures with an RFP (which is on line for anyone's review), a three member review team includes a process to review the Educational Plan, Organizational Plan, Governance, Business and Financial Services. There is an open hearing with the entire Commission and the applicant and then a final vote by the Commission which includes each member voting approval or denial and stating the reasons for their decision.

The budget process is extensive and requires strong financial planning and management that is demonstrated through the following:

- (1) A 3-year budget with grade by grade enrollment projections and staffing projections for faculty and staff positions,
- (2) budget and cash flow for the pre-opening period, and
- (3) monthly cash flow for the first year of operation. The review team must be convinced that there is sound planning and a solid financial infrastructure to support the plan.

The evaluation criteria include the following:

1. Budget priorities that are consistent with and support the mission and vision of the school, including the school's educational program, staffing, staff development and facility support.

2. Realistic and detailed revenue and expenditure assumptions, including any fundraising plan and debt assumptions.

3. A strategic plan to meet potential budget and cash flow challenges, particularly for the first year of operation including adequate working capital and available reserves and/or established lines of credit.

4. A demonstrated commitment and plan to maintain the financial viability of the school by identifying those operational areas that are most vulnerable to loss of revenue or excessive cost and a plan to manage those vulnerabilities.

The Financial Management criteria are just as stringent. The applicant must describe the systems and procedures for managing the school's finances and identify the staff position(s) that will be responsible for financial oversight and management. Describe how the school's finances will be managed and who will be responsible for the protection of student and financial records. Describe the relationship of the chief financial officer to the governing board (board of finance committee).

Their responses must include the following:

1. Development and maintenance of a chart of accounts that complies with accounting standards and supports appropriate financial reporting.

2. Provide for monthly and annual financial reports and an annual audit.

3. Description of the school's financial policies.

4. Description of accounting software that connects seamlessly to the MDOE.

5. Description of required student records and their management.

6. Development and dissemination of monthly and annual financial reports.

7. Secure comprehensive insurance policies from a company that specializes in educational institutions.

The evaluation criteria for Financial Management include:

1. A demonstrated and comprehensive understanding of the school's financial management obligations.

2. Evidence that the school is prepared to adhere to generally accepted accounting practices.

3. Evidence or a system of financial controls to ensure that receipts and payments are properly accounted for in a timely manner and that cash is handled properly.

4. Evidence that the software or accounting system to be used is appropriate and its users are fully trained.

5. Evidence that the school has or will have appropriate insurance policies in place.

6. Evidence that the school has adequate policies and processes for tracking enrollment and attendance eligibility, eligibility for free and reduced priced lunch, special education and limited English proficient enrollment.

7. Demonstrated preparation to meet its insurance, annual audit, monthly and annual financial reports and other key financial management obligations.

In the case of Baxter Academy, I headed the review team, along with Dr. Lynda Doyle and Jim Banks. Baxter was given conditional approval and was required to review their budget because it was felt they could not sustain it as presented. We also wanted to see a more formal plan for fundraising and to review their upper management staff because it appeared top heavy. We further requested their figures be reworked for grants because the Federal Government was not issuing start up grants for the year and Baxter was requesting \$175,000 for three consecutive years.

Baxter returned with these adjustments made and a proposal for only 100 students in the first year if they could not reach the 160. On November 16, 2012, Baxter was approved with a further requirement that by March 15st they would provide proof of a minimum of 150 letters of intent. In the meantime, the Commission learned the Baxter board had fired the Executive Director and we immediately stopped contract negotiations. A list of (12) documents was requested from Baxter, accompanied with a number of related questions. An open meeting was held on Monday, March 25, to review the requested information and responses to Commission questions to determine if their application should continue. The Commission has scheduled a meeting for April 8th to decide if Baxter should receive or be denied a contract.

The Commission felt it would be helpful for the Government Oversight Committee to be provided with this information so they would be able to determine if this project merited being handed over to OPEGA.

On Baxter's governing board is an accountant who is a CPA with a large Portland accounting firm. He has vast experience with non-profits, charter schools and accounting work for OPEGA. He would be available to answer any questions you may have.

The Commission is always available to answer any and all questions. Our meetings are always open to the public. As we have stated many times before, we understand and take our fiduciary responsibility to the citizens of Maine very seriously.

Please contact myself or our Executive Director, Robert Kautz if you have any questions.

Sincerely,

Jana Lapoint

Charter Commission Chair
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