

Maine Charter School Commission Request to Incur Debt Rubric

The Maine Charter School Commission will use this rubric to evaluate requests from Maine charter public schools to take out new debt, consolidate existing debt, or draw on an extended line of credit.

Required Documents

Charter schools seeking to incur new debt, consolidate existing debt, or draw on an extended line of credit must submit the following documents:

1. **Completed "Request to Incur New Debt Form"** – This form must be submitted through the Commission's document submission platform at least three weeks before the Commission Meeting where the vote will occur.
2. **Letter of Commitment from the Lender** – A formal commitment letter from the lending institution.
3. **Minutes from the School Board Meeting** in which the Board voted to incur the debt.

Additional Amendment Requests

If the request to incur debt includes any other amendments, such as adding a new school facility or increasing student enrollment, those completed amendment requests must be submitted through Commission's document submission platform within the required timelines for those amendments.

Process Overview

1. **Initial Conversation Between the School and Commission Staff:** Before a school submits a formal Request to Incur Debt, we require an initial meeting with Commission staff. This meeting provides an opportunity for a preliminary assessment of the school's financial, enrollment, and academic performance to gauge the likelihood of approval. Given that the criteria for approval are rigorous, this step helps schools determine whether moving forward is advisable before investing significant time and resources.
2. **Staff Review:** The Commission staff will review the request and complete a draft of the rubric.
3. **Committee Review:** The Finance Committee and School Performance Committee will review the request and finalize the rubric.

- 4. **Recommendation:** The Finance Committee will present a recommendation to the full Commission for a vote.
- 5. **Full Commission Vote:** The full Commission will vote to approve or deny the request. A majority vote is required for approval.

Category		Does Not Meet	Meets with Conditions	Meets
Finance	Plan of Financing and Use of Borrowed Funds	No clear description of how the funds will be used. No specific improvements outlined.	Funds usage is somewhat described, but lacks detail or clear connection to needed improvements.	Clear description of how funds will be used to improve operations or facilities with defined goals.

	Details of Borrowing	No details provided about the borrowing agreement or terms.	Some borrowing details provided, but lacks clarity or key terms (e.g., interest rate, terms, etc.).	Borrowing details are clear, including lender, amount, interest rate, and term, with some information on covenants, <u>including a commitment letter or proposal.</u>
	Summary of Existing Debt	No summary or insufficient information on current debt.	Basic summary of existing debt with some missing details.	Clear summary of current debt, including balances, terms, and interest rates, and payment schedules.

	<p>Support and Analysis of Capacity to Repay</p>	<p>No discussion of financial capacity or stability. No plans or projections provided.</p>	<p>Basic discussion of financial capacity, with some reference to enrollment and/or philanthropic support.</p>	<p>Adequate discussion of financial capacity, including enrollment history, future plans, and philanthropy.</p>
	<p>History of Responsible Fiscal Decisions</p>	<p>No history or record of responsible fiscal management or decision-making.</p>	<p>Some evidence of fiscal responsibility, but a history of inconsistencies or missed financial obligations.</p>	<p>Consistent history of sound fiscal management and decision-making, with clear evidence of timely debt servicing and financial planning. The school is not on a corrective action plan related to finances.</p>

	<p>Three-Year Projection of Statement of Activities</p>	<p>No projection provided.</p>	<p>Incomplete or unclear projections of financial activities.</p>	<p>Detailed three-year projections of statement of activities, including debt service for existing and new obligations.</p> <p>In the last three years, debt services obligations were not high risk.</p>
	<p>Schedule of Projected Financial Performance Measures</p>	<p>No financial performance measures included.</p>	<p>Limited or unclear financial performance measures with little supporting data.</p>	<p>Adequate schedule of projected financial performance measures, including key metrics like debt service ratio, cash flow, etc.</p>

	<p>Board Consideration</p>	<p>The School Board has not demonstrated adequate review of financing terms and did not seek or document advice from legal counsel.</p> <p>There is no record of a formal vote authorizing the school to incur debt.</p> <p>The process lacks transparency and raises concerns about governance and financial oversight.</p>	<p>The School Board has reviewed the financing terms but has not sufficiently documented legal review or has only partially engaged legal counsel.</p> <p>A vote may have taken place, but minutes or documentation are incomplete, or the rationale for the decision is unclear.</p> <p>Additional due diligence may be necessary to ensure informed decision-making.</p>	<p>The School Board has thoroughly reviewed the financing terms and considered the advice of legal counsel.</p> <p>The Board formally voted to approve incurring the related debt, with records of the discussion and decision clearly documented.</p>
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Renewal	Likelihood of renewal	The debt payoff is projected to continue beyond the school's next renewal cycle, and there is insufficient evidence—based on the school's current Performance Framework results—that the school will meet the criteria for renewal.	The debt payoff is projected to continue beyond the school's next renewal cycle. While some aspects of the Performance Framework suggest the school may be renewed, the overall evidence is limited or mixed, raising concerns about renewal viability.	The debt payoff will continue through the school's next renewal cycle; however, there is reasonable evidence—based on the school's current and historical performance on the Performance Framework—that the school is likely to meet the criteria for renewal.
Enrollment	Ability to Define and Hit Enrollment Targets	No clear enrollment targets defined or inability to meet past enrollment targets.	Enrollment targets are defined but past performance shows significant challenges in meeting targets.	Clear enrollment targets defined, with a history of meeting or exceeding these targets.
Mission	Strength of Mission Alignment with Borrowing	No connection between the requested funds and the school's mission.	Funds usage is described but the alignment with the mission is unclear or	Clear connection between the requested funds and how they will

			not well defined.	support and strengthen the school's defined mission.
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