



To:	Board of Education
FROM:	Erin Kane, Interim Superintendent Steven Cook, Deputy Superintendent Ted Knight, Assistant Superintendent Bonnie Betz, Chief Financial Officer Thomas McMillen, Director of Choice Programming Laura Gorman, Title Grant & ESSA Coordinator
DATE:	January 26, 2018
RE:	HOPE Online Learning Academy Co-op Recommendation for Extension of Current Contract

This memo is written in accordance with Colorado state statute 22-30.5-110(4.5)(a) regarding a written recommendation, including reasons supporting this recommendation, concerning the Board's authority to revoke, renew or not renew the charter afforded to HOPE Online Learning Academy Co-op. The current charter for HOPE ([current contract here](#)) expires on June 30, 2018.

Timeline

HOPE Online Learning Academy Co-op was first chartered by the Douglas County School District on September 10, 2007. HOPE received its first charter contract with DCSD in July 2008 and that contract was approved through June 30, 2013. HOPE and DCSD renewed this contract for July 1, 2013 through June 30, 2018. In 2013, in order to address accountability concerns from DCSD, HOPE reorganized into 3 separate schools: an elementary school, middle school and a high school, all still under one charter contract. (The HOPE Online Learning Academy High School has now qualified as an Alternative Education Campus and currently meets the accountability expectations for AECs and thus is not subject to the normal state accountability clock provisions.) In 2013, HOPE was entering its 4th year on the accountability clock and district staff agreed that the district needed to increase the level of support and expectations provided to HOPE. This is a notable benchmark in that up to this point, the district had primarily supported HOPE with Title funds and through the purchased services agreement. The decision by HOPE to split into three separate schools was done with the full support of district staff as a strategy in order to address several of the identified accountability concerns.

HOPE Structure

HOPE Online has a structure unique to charter schools in Colorado. HOPE, as a multi-district online charter school, contracts with Learning Centers around the State of Colorado. These Learning Centers are semi-autonomous sites staffed by mentors and directors who operate the Centers. Mentors may or may not be licensed teachers, but most mentors currently are not licensed. Students attend the Learning Centers every day in person for a portion of the day. Students may receive live instruction, or may take classes online at the Learning Center, or both during the day. These Learning Centers have been located in various locales such as churches, strip malls, and industrial and office parks. Licensed teachers provided by HOPE also oversee student academic performance; however, licensed teachers are not necessarily on site during every

school day at every Learning Center. Learning Centers vary in size from fewer than 20 to over a hundred students.

In order to locate a Learning Center in a district outside of Douglas County, HOPE is statutorily required to either enter into a Memorandum of Understanding with the local school district for the establishment of the Learning Center in that District, or to seek a waiver from the MOU requirement from the local District. A list of HOPE Learning Centers can be accessed by clicking [here](#).

Compliance, Indemnification and Insurance

There are several important clauses in our contract with Hope, compliance to all federal and state laws, local ordinances and District policies applicable to charter schools, which can be found in section C of 3.2 (page 9 of 28) of the contract, or by clicking [here](#). Indemnification found in Section 3.3 (page 10 of 28) of the contract, or by clicking [here](#) and Insurance requirements which is found in section 5.4 (page 14 of 28) of the contract, or by clicking [here](#). These are important clauses to point out because charter schools are separate legal entities from the school districts that authorize them, they and they alone are responsible for their actions.

Legal Authority

As of July 2017, HOPE Online Learning Academy middle and elementary schools have been on the accountability clock for 7 years, classified as either Turnaround or Priority Improvement status. This status triggered processes identified in Colorado state statute 22-11-210 (5) (a), which states, “[I]f a public school fails to make adequate progress under its turnaround plan or continues to operate under a priority improvement or turnaround plan for a combined total of five consecutive school years, the commissioner

shall assign the state review panel to critically evaluate the public schools' performance and determine whether to recommend:

- Private management
- Replace governing board
- Convert to a Charter School
- Convert to Innovation Status
- Close the school or revoke the charter

HOPE had extensive State Review Panel visits conducted by outside consultants hired by CDE in both 2015 and 2016. The State Review Panel reports, and subsequent consultation with CDE, including District and State Board Hearings (spring 2015 and 2017) culminated in recommendations that centered around replacing/reconstituting the HOPE governing board and partnering with a management entity to assist HOPE in improving its academic performance. Both of these improvement pathways are the current focus of HOPE's turnaround/pathway plan. An initial draft of the turnaround/pathway plan was presented in December 2016 to the DCSD Board in conjunction with HOPE's UIPs. The plan received approval from the DCSD Board and was submitted to the CDE for review and further refinement with input from district staff prior to submission to the State Board of Education for approval in April of 2017.

HOPE's Hearing before the State Board

HOPE Online Learning Academy presented their Turnaround Pathway Plan ([here](#)) to the State Board in April of 2017, ([here](#)) with district staff present and in support of the plan as evidenced by the DCSD Board recommendation to the State Board ([here](#)) regarding the status of HOPE. The Pathways Plan was approved by Order of the State Board in May of 2017 ([here](#)), including the following State Board recommendations:

- Implement HOPE's Pathway Plan ([here](#));
- Reorganize/restructure the HOPE governing Board;
- Identify and enter into an agreement with an external management team

These two recommendations were intended to meet the statutory options of replacing or reorganizing the HOPE board and engaging an outside management entity.

The Pathways Plan to engage an outside management entity was intended to promote academic improvement as measured through student performance on achievement and growth measures as incorporated into the HOPE elementary and middle school UIPs ([here](#)), with the goal of improving academic performance throughout the network of HOPE Online Learning Academy learning centers. The approval of the Pathways Plan by the State Board extended HOPE's time on the accountability clock through the 2019 assessment season, which includes the 2019-2020 school year due to the time required to obtain achievement data and the SPF rating from the state. The CDE established improvement criteria ([here](#)) and directed HOPE to undertake the following:

- Successful execution of the Pathways Plan, (as also recommended by the State Board and CDE)
- Successful implementation of HOPE's UIP plan as demonstrated by appropriate progress in student achievement and growth.

HOPE Online Fiscal Health Analysis

In analyzing District charter schools fiscal health and fiscal compliance with state law, the District reviews charter school audited financial statements and each individual CDE accreditation report. From those submitted documents, the District creates a fiscal health analysis report provided to the DCSD Board each year end. This analysis summarizes findings identified in the audit and accreditation report and includes

financial ratios created by using audited data. These financial ratios are the same ratios used by the Office of the State Auditor to analyze districts throughout Colorado.

A. Independent Audits: (Reference the posted HOPE Annual Audits)

Each charter school contracts for their own Independent Audit. This audit is submitted to the District, CDE and the State Auditor. According to the audits submitted by HOPE for the dates June 30, 2013 to June 30, 2017, the audit opinions were unmodified and noted no issues of material weakness or significant deficiency in internal controls.

B. District/Charter Accreditation Report: (Reference the posted HOPE annual accreditation reports as well as the District accreditation reports that include notations associated with HOPE)

CDE requires all Districts to complete an accreditation report. This report documents compliance with certain fiscal requirements in accordance with Colorado State Law. For fiscal year ended June 30, 2013, no compliance issues were noted for HOPE. For years ended June 30, 2014 ([here](#)), 2015 ([here](#)) and 2016, HOPE was noted to have spent funds in excess of appropriated amounts. For fiscal year ended June 30, 2016 ([here](#)), the District received an after the fact resolution from Hope appropriating sufficient funds which resulted in excluding this issue in the District 2016 Accreditation Report.

In year 2014, HOPE not only spent in excess of appropriated amounts but, after accounting for the TABOR Reserve, spend resulted in a negative unassigned fund balance. Please see below the statutory references associated with these accreditation report findings:

C.R.S. 22-44-107 verification that:

The board adopted an appropriation resolution for the amount of the adopted budget

C.R.S. 22-44-105 (1.5)(a) states:

A budget shall not provide for expenditures, interfund transfers, or reserves, in excess of available revenues and beginning fund balance.

C. Fiscal Health Analysis Ratios

The State Auditor's office issues a report each year analyzing and discussing the fiscal health of all districts in Colorado using numbers reported in fiscal year end audits. Beginning with the fiscal year ended 2014, the District began applying these same ratios and benchmarks used by the State Auditor to each of the District charter schools. As a general rule, a school or District **not** meeting a benchmark on its own, is not necessarily an indication that there is a financial issue. However, if a charter school shows three or more years of not meeting a benchmark in two or more categories, District staff will ask further questions of the charter school leaders. In the four years of reporting these ratios to the DCSD Board, HOPE has missed benchmarks in two categories over two years. Both of these ratios relate to the spending down of fund balance and on their own, do not cause concern.

HOPE Online Learning Academy's contract status with DCSD

HOPE's current contract with Douglas County School District expires on June 30, 2018. Contract renewal discussions with charters begin in the fall of the year prior to the expiration of the contract. In October of 2017, DCSD staff met to discuss potential recommendations to be made to the DCSD Board for HOPE. Detailed discussion by staff led to the conclusion that there were essentially 4 options:

- Non-renewal of the contract upon its expiration
- Renewal of the contract
- Non-conditional extension of current contract

- Conditional extension of current contract

Each one of these recommendations were discussed and analyzed for their merit:

Non-Renewal of the Contract – staff discussed whether or not the district should just recommend termination of the charter contract due to continued low performance. The elementary and middle schools hadn't demonstrated adequate performance for 7 years running. However, the state report did not recommend closure at this time, as stated here in the state Board's findings:

The State Board has reviewed the one other potential pathway option for the schools—revocation of the charter, which would equate to a closure of the schools. At this time, closure is not recommended given the increased performance in academic growth both schools saw in 2016.

In fact, both CDE and the State Board were glad to hear that the district had committed to a more engaged involvement in supporting HOPE's identified needs with teaching and learning as captured through the Pathways Plan. The option of non-renewal was not recommended by staff at that time.

- **Renewal of the Contract** – staff discussed whether or not to recommend the renewal of the HOPE Online Learning Academy contract for the standard 4-5 year term. This seemed imprudent as the current timeline for HOPE, afforded by the Pathway Plan approved by the State Board, only extended 2 more years and ends at the end of the 2019 school year. As a reminder, the data for the 2018-19 school year would be available in the fall of 2019 which, essentially, extends the plan into the 2019-20 school year, when the 18-19 frameworks would be available for analysis. Staff also discussed that a full term renewal, given the Turnaround status of HOPE, would imply a lack of willingness to hold all district schools, charter and otherwise, accountable for their commitment to students. Staff noted that if and when HOPE's academic achievement

was such that HOPE moved off of the accountability clock, the opportunity to renew the HOPE charter contract would be seen as a reward for successful demonstration of improvement and would be seen as a celebration for all to share. If HOPE were not capable of meeting the expectations set forth by their own Pathways Plan, as evidenced by remaining in Priority Improvement or Turnaround status, the likely nonrenewal would not be a surprise to anyone and would be expected.

- **Non-conditional Extension of Current Contract** – staff discussed whether or not to recommend the simple solution of extending the current contract without other contingencies. This option would align with the timeline as established by CDE and the State Board plan to enable the Pathways Play to play out through the 2019-2020 school year, when data would be available. Staff agreed that this option gave the benefit of alignment between the HOPE Pathways plan, the CDE and State Board expectations, and the district’s authority to renew or revoke the charter contract at the appropriate time. However, it didn’t afford the district the opportunity to hold HOPE accountable for a lack of improvement according to the Pathways Plan. If sufficient progress was not being made at specified benchmarks, the DCSD Board would no longer have the authority to act until the extended contract expired. Staff felt that this decision would hamstring the Board’s ability to act.

- **Conditional Extension of Current Contract** – staff discussed whether or not to recommend an extension of the existing contract with HOPE Online Learning Academy, but also incorporating as conditions the expectations outlined in the Pathways Plan, the Unified Improvement Plan, and the mutually-agreed upon parameters moving forward with HOPE’s external management team. This option gives HOPE the ability to implement the changes approved by the State Board, with appropriately determined performance measures as negotiated between HOPE Online Learning Academy leadership, the State Board, and district staff. This particular option also provides the DCSD Board with the ability to receive updates on a regular schedule to determine

whether HOPE has demonstrated sufficient progress on student achievement and growth data, as well as making progress on the indicators of teaching and learning as agreed upon and outlined in the Pathways Plan. Academic measures are available yearly and Pathway Plan progress is reported quarterly by the external management team.

In addition, there were 3 findings from the State Board Hearing in May ([here](#)) that influenced staff's recommendation:

1. The State Board finds that the materials submitted by HOPE in support of its Pathways Proposal, if implemented effectively, could have a positive impact on student learning and is in the best interest of HOPE's students and families.

2. The State Board has reviewed the one other potential pathway option for the schools—revocation of the charter, which would equate to a closure of the schools. At this time, closure is not recommended given the increased performance in academic growth both schools saw in 2016.

3. Section 22-11-210, C.R.S. authorizes the State Board to take any one of a number of actions regarding a charter school that has operated under a priority improvement or turnaround plan for five consecutive school years, including:

a. That the public or private entity operating the charter school or the governing board of the charter school be replaced by a different public or private entity or governing board; or

b. That the school's charter be revoked.

The State Board concludes that the Pathways Proposal is a statutorily-authorized accountability pathway under § 22-11-210, C.R.S.

Staff Recommendations for HOPE Online Learning Academy

After extensive discussion around each of these choices, staff recommends to the Board the fourth option, Conditional Extension of the Current Contract. Staff unanimously agreed on this recommendation as it would align the agreement between DCSD and HOPE to the currently existing set of expectations in place from the State Board. In addition, this recommendation also provides the appropriate authority to the DCSD Board to regularly review HOPE's progress on the effectiveness of the Pathways Plan, the results of which would be available in June of 2020. Staff also felt that the conditional extension maintains the DCSD Board's authority to ensure that HOPE is faithfully complying with the following:

- Successful execution of the Pathways Plan as recommended by the State Board and CDE; and,
- Successful implementation of HOPE's UIP plan as demonstrated by appropriate progress in student achievement and growth; and,
- Provide appropriate facility safety and security documentation reflecting compliance with District policy and state law, no later than February 1, 2019 so that the Board may further review HOPE's contract status

Late in October 2017 staff met with HOPE Online Learning Academy leadership to discuss these possible recommendations that could go before the Board. After extensive discussion with HOPE leadership on what would constitute the "conditional" terms of our recommendation, staff and HOPE leadership came to consensus on the the conditional extension option, in compliance with CRS 22-30.5-110 (4.5) (a).

Throughout this renewal/extension process, communication with HOPE Online Learning Academy leadership, Douglas County leadership, and Colorado Department of Education staff has been ongoing and extensive. In addition to the yearly review of financials and academic achievement that all charter schools receive, Hope Online Learning Academy also received a comprehensive five-year review of their financials by DCSD staff. DCSD staff, in collaboration with the Colorado Department of Education, has also conducted a very thorough academic review that exceeded the requirements of a traditional renewal process. Furthermore, CDE staff continues to review the governance and operations of HOPE Online Learning Academy as reflected in extensive site visits to HOPE Learning Centers. DCSD staff has also participated in these site visits. CDE staff will be providing a report in the coming days outlining the findings of these reviews. Because of this collaboration with the state, HOPE has actually received an exceedingly rigorous academic, financial and operational review that surpasses the rigor of a traditional charter renewal process.

The charter renewal/extension process in DCSD has always been characterized by a spirit of collaboration between DCSD staff and charter leadership. In the case of HOPE, the additional partnership of DCSD and HOPE with CDE and the State Board of Education has resulted in a tangible picture of the measures and metrics to which HOPE will be held accountable. This accountability will provide the DCSD Board with a clear pathway to decision making in the coming days.