

**IN THE ILLINOIS STATE
CHARTER SCHOOL COMMISSION**

)	
)	
In re Southland College Prep)	
School Renewal Application)	No. 2015-001R
)	
)	

FINAL DECISION OF THE COMMISSION

Southland College Preparatory Charter High School (“Southland”) is a high school located in Richton Park, Illinois serving students in grades nine through twelve who reside in the Rich Township School District 227. Originally chartered by the Illinois State Board of Education in 2010, for a five year term, by January 2015, Southland had enrolled 490 students. Southland offers an academic curriculum that supports its mission of preparing all students for academic success in college and helping to ensure college graduation.

On February 24, 2015, the Illinois State Charter School Commission (“the Commission”) voted unanimously to renew the charter of Southland for a term of five years at a funding level of 100% per capita tuition charge (PCTC) of Rich Township School District 227. The Commission finds that Southland’s application for charter renewal complies with the provisions of the Charter Schools Law, 105 ILCS 5/27A, *et seq.*, and that continued operation of Southland is warranted under the Commission’s Accountability Plan.

I. JURISDICTION

The Commission exercises jurisdiction in this matter pursuant to the Illinois Charter Schools Law, 105 ILCS 5/27A, *et seq.* Illinois Charter Law requires that a charter school file a renewal proposal with its authorizer. *See* 105 ILCS 27A-9(b). The law also requires that the proposal contain a “report on the progress of the charter school” and a “financial statement.” *Id.* The Commission serves as the authorizer for Southland and has adopted a specific framework for renewal which includes consideration of data evidencing the charter school’s progress and financial condition, including a financial statement. The Commission renewal framework was applied to Southland.

The existing charter held by the Southland governing board is set to expire on June 30, 2015. The Charter Law does not include explicit timelines for the consideration of a renewal application. However, the Southland charter agreement with the Commission requires Southland to submit an application for renewal between September 1, 2014 and January 1, 2015. In November 2014, the Commission issued Preliminary Initial Renewal Findings. On November 20, 2014, Southland submitted its application for renewal seeking a five year charter term.

Southland's application and the Preliminary Initial and Final Renewal Findings, contain information relating to the progress of the charter school and a financial statement as required under the law. Accordingly, the Southland renewal application is timely submitted and the Commission's exercise of jurisdiction to consider the renewal application is proper.

II. BACKGROUND

A. Procedural Background.

The Commission adopted an Accountability System which contains the Commission's framework for renewal on June 11, 2013. It was amended in February 2014. Pursuant to the Accountability System and resulting renewal framework, the Commission staff began conducting due diligence activities in the summer of 2014. The initial Renewal Findings were based on the application of the Commission's Accountability System to Southland's performance over the past five years in the three key domains of the System: Academics, Financial and Organizational. After the issuance of initial Renewal Findings and Southland's submission of its application in November 2014, the Commission staff: (1) conducted a site visit utilizing an evaluation team with independent experts, and which included classroom observations, faculty and parent interviews, interviews with members of the Board, the Chief Executive Officer and Leadership team; (2) held a Community Forum at Southland to receive comments on Southland's application from the public, (3) conducted further interviews of Southland administration members, (4) collected additional information and data from Southland, (5) retained an expert to conduct an analysis of Southland's facilities and (6) engaged an expert to conduct an analysis of Southland's finances and to perform an economic soundness assessment.

The Community Forum was held on December 4, 2014 and was led by Commissioners Jaime Guzman and Dr. Kathryn Robbins as well as Commission staff. Representatives from Southland and the host district, Rich Township School District 227, were present, as well as other members of the community, and 25 persons made comments to the Commissioners during the meeting. Comments from the public were also accepted via electronic mail during an extended comment period after the Community Forum. Additionally, counsel conducted a legal compliance review, and throughout the due diligence period, Commission staff requested and obtained additional information from Southland.

At the conclusion of the due diligence process, Commission staff prepared a renewal recommendation and issued a final set of Renewal Findings ("Final Renewal Findings"). *See* Final Renewal Findings: February 2015, attached hereto as Exhibit A. Commission staff recommended that the Commission renew the Southland charter for a five year term, at a payment level of 100% PCTC of host District 227. The recommendation was ultimately presented to the Commission for consideration at its February 24, 2015 meeting. *See* Exhibit B, Motion to Approve Renewal of Southland College Prep Charter School.

On February 24, 2015, the Commissioners met and heard presentations from Commission staff and Southland representatives. The Commissioners then debated the merits of the renewal application and the Commission staff recommendation and voted. Seven of the nine (7 of 9) Commissioners present participated in the discussion and vote and those seven Commissioners voted unanimously to approve Southland's application. Therefore, the motion to accept the staff

recommendation carried and the Commission granted Southland's application for charter renewal.

B. Background on Commission Accountability System, Renewal Process and Findings.

Under its Accountability System, the Commission engages in a renewal process with each school it authorizes to evaluate the school's performance and arrive at a merit-based renewal decision. Renewal typically begins one year before the date a school's charter contract is set to expire. The process involves five, sometimes overlapping, phases: (1) analysis of data and information regarding the school by Commission Staff and a Renewal Evaluation Team; (2) development and publication of initial Renewal Findings; (3) application for renewal by the school; (4) post-application due diligence by Commission staff and (5) collection of public comment.

The centerpiece of the renewal process is the renewal framework and the Renewal Findings that result. The framework is designed to answer the following questions: (1) Is the school's academic program a success? (2) Is the school financially sound and demonstrating responsible stewardship? (3) Is the school meeting its legal and ethical requirements? At the start of the process, Commission staff reviews accumulated information submitted by the school during the preceding four years, as well as other public data to answer these questions and prepare the Initial Renewal Findings.

The Renewal Findings offer a comprehensive picture of the school's performance during the preceding four years of the school's existence on the metrics set forth in the Accountability System across three separate domains: academic, financial and organizational. Within each domain, there are a number of different measures the Commission uses to assess the charter school's progress. Performance targets allow the Commission to rate schools separately on each measure. The targets in the academic framework result in four performance categories, while the financial and organizational frameworks use three categories. A school exceeds, meets, or falls below the standards required on a particular measure.¹

¹ The four performance categories are: (1) Exceeds standard: Acknowledges the performance of the most successful schools. (2) Meets standard: Identifies schools meeting Commission expectations for performance or compliance. (3) Below standard: Highlights schools that need improvement and provides the Commission an opportunity to discuss performance or compliance concerns with schools. (4) Far below standard: Indicates failing performance or non-compliance with legal or ethical requirements. Consistent performance at this level indicates need for high-stakes review and possible non-renewal or revocation of charter. The "exceeds" standard is used only in the academic performance framework. In the other domains, "meets" is the highest standard achievable.

III. FINDINGS OF FACT

A. Summary of Southland Renewal Findings.

A review of the four years of data collected reveals that Southland achieved the highest performance rating possible on the overwhelming majority of measures (85%) across all three domains. *See* Renewal Findings, attached hereto as Ex. A.

Academic Domain

1. The renewal framework contains measures intended to evaluate academic performance based on student proficiency, student growth, performance of students in subgroups and for high schools, college and career readiness. After a review of data covering a four year period, Commission staff found that Southland met or exceeded eighty-eight percent (88%) of the academic targets.
2. Southland achieved the rating of exceeds standards on twelve (12) measures, meets standards on ten (10) measures and was only rated below standards on four (4) measures and was not rated far below on any of the twenty-six (26) measures.
3. Southland's academic performance exceeded that of the high schools in host District 227 and comparable high schools serving similar populations in Illinois.
4. Southland students classified as students belonging to eligible subgroups met or exceeded standards established by the Commission for academic performance in the subject of reading. This remains true when Southland students are compared against students in "similar schools" and against students from the host district's "assigned schools."
5. Southland exceeded standards established by the Commission on graduation rate and college attendance.

Financial Domain

6. The Financial Performance Framework evaluates schools' financial viability in the near and long-term. The measures are organized as Near Term or Sustainability indicators and enable the Commission to identify those schools that are currently in, or trending towards, financial difficulty. To that end, the Renewal Findings include eight interconnected measures designed to assess a school's financial position from both a cash and an accrual basis. Southland met standards established by the Commission on 92% of the financial measures over the past four years.
7. Sustainability measures depict a school's financial position and viability over time. Schools that meet the desired standards demonstrate a low risk of financial distress in the future. Schools that fail to meet the standards may be at high risk for financial hardship in the future. Sustainability measures include: total margin, debt to asset ratio, cash flow and debt service coverage ratio. Southland met the standards on each of the Sustainability measures all four years.

Organizational Domain

8. The Organizational Performance Framework consists of six major indicators (educational program, financial oversight, governance & reporting, students and employees, school environment and additional obligations) designed to analyze the extent to which a school is complying with its various legal and ethical responsibilities and to determine whether a school is respecting the rights of students, staff, and families, as well as the interests of the general public, by meeting its legal obligations. Expectations are derived from state and federal law and operating terms outlined in the charter contract and charter application. Overall, Southland met the standards in 95% of the Organizational Domain measures established by the Commission.
9. Southland met the standard on each of the Organizational Domain measures relating to the following indicators: financial management and oversight, governance and reporting, students and employees, school environment and additional obligations.
10. Southland scored ratings below the standard established by the Commission on a single measure from the educational program indicator. For each year examined by the Commission, from the 2010-11 to 2013-14 academic year, Southland achieved a rating far below standard on the question of whether it was protecting the rights of English Language Learner (ELL) students because Southland had no policy concerning the rights of ELL students during this time. Southland did not enroll any ELL students throughout the 2010-2014 period. However, in 2014, Southland did establish a policy aimed at protecting the rights of ELL students.

B. Southland's Renewal Application.

11. Southland submitted its renewal application to the Commission on November 20, 2014. In its application, Southland indicated that it intended to continue its pursuit of the same academic program and to use nearly the same organizational and financial systems during the next five years that it had used during the current charter term, with a few modifications based upon what it had learned through due diligence and renewal application process.

C. Public Comment on Southland's Renewal Application.

12. At the Community Forum held on December 4, 2014 to receive public comment on Southland's renewal application, Commissioners and staff heard twenty-five (25) speakers, which included public officials from the community, Southland parents, Board members, employees, students and representatives from the Illinois Network of Charter Schools. All twenty-five speakers expressed support for renewal. Although there were other attendees at the hearing, no alternative or opposing views were presented at the public meeting. Nor were any additional comments provided at any time throughout the renewal process, including the week-long email forum offered by the Commission as an additional opportunity for public comment. The Commission did not receive any comment on the renewal application from host District 227.

D. Commission Staff Recommendation.

13. On February 24, 2015, Commission staff issued a final recommendation to the Commission based on its analysis of the Renewal Findings and additional due diligence which staff conducted with the assistance of the Renewal Evaluation Team.
14. Specifically, Commission staff recommended that the Commission renew the Charter School Agreement with Southland, for a term of 5 years at the rate of 100% of the PCTC of each of the host District 227, with enrollment once again capped at 500 students.

IV. DECISION

A. Applicable Legal Standards.

The Law provides that a “charter may be ... not renewed if... the Commission, as the chartering entity, clearly demonstrate[s] that the charter school did any of the following, or otherwise failed to comply with the requirements of this law:

- (1) Committed a material violation of any of the conditions, standards, or procedures set forth in the charter.
- (2) Failed to meet or make reasonable progress toward achievement of the content standards or pupil performance standards identified in the charter.
- (3) Failed to meet generally accepted standards of fiscal management.
- (4) Violated any provision of law from which the charter school was not exempted.”

105 ILCS 5/27A-9(c). The Commission’s charter agreement with Southland fully incorporates these standards in Sections 11 and 12. Section 11 states in part that “the Commission may refuse to renew the Amended Agreement upon a finding that any cause for revocation exists under Section 12 hereof.” The following paragraph of the Amended Agreement, Section 12 quotes the language above from Section 27A-9(c) directly.

B. The Southland Application Meets Requirements For Renewal.

Through the implementation of its rigorous renewal application process, the Commission has concluded that none of its Findings “clearly demonstrate” any of the above conduct by Southland. The Commission’s review and due diligence did not uncover any violation of the charter contract, Charter Law or any other unlawful conduct.

No Material Violation of the Charter Agreement. A review of the Findings, as well as additional due diligence conducted, substantiates the conclusion that throughout the current charter term, Southland has substantially complied with its obligations under the Charter Agreement. During the renewal process, Commission staff learned that Southland did not have a policy and general procedures in place designed protect the rights of English Language Learners. However, before the conclusion of the process, Southland’s Board adopted an English Language Learners policy that satisfied staff’s concerns and met the requirements of the Charter Schools Law. Thus, there is no evidence that Southland engaged in any material violation of the charter contract that would warrant non-renewal.

Reasonable Progress Made Towards Standards Identified In Charter. The Renewal Findings include over twenty (20) measures intended to help the Commission assess whether Southland made reasonable progress toward academic achievement standards. The measures examine the proficiency of 11th grade Southland students in reading and math as captured on the statewide assessment in comparison to students statewide, in comparison to the schools which Southland's enrolled students would have been otherwise assigned to attend ("ASC" comparisons), and in comparison to "similar schools" as defined by the framework. The Findings also measure the growth of Southland students' performance on those tests, the performance of subgroups of students as well as Adequately Yearly Progress (AYP), performance on the ACT, graduation rate and college attendance. Southland met or exceeded the standards for performance on a significant majority (88%) of the academic measures. Accordingly, it is evident that Southland made reasonable progress towards the standards identified in the Charter and the Commission's Accountability Plan.

No Clear Demonstration That Southland Has Not Met Generally Accepted Standards of Financial Management. As part of the renewal process, the Commission staff reviewed twenty-four (24) different measures aimed at understanding Southland's financial health and determining whether Southland's financial operations met generally accepted standards of management. Southland met the standard on every financial measure except two. The first below standard measure was in relation to its ratio of assets to liabilities in its first year of operation (2010-2011) and the second related to a small enrollment variance where actual enrollment was 94% of the original targeted enrollment of 500 for the 2013-14 academic year. Neither of these below standard measures present a material threat to Southland's financial health or suggest there has been a substantial departure from accepted standards of financial management.

In addition, Southland's charter has not caused its host school district, District 227, actual financial harm such that the school is not economically sound. Under Illinois Charter Schools law, a proposal to establish a charter school must include "[e]vidence that the terms of the charter as proposed are economically sound for both the charter school and the school district." 105 ILCS 5/27A-7(a)(9). "[E]vidence that the charter school proposal is economically sound . . . must realistically require consideration of the school district's finances." *Comprehensive Community Solutions*, 216 Ill.2d at 477. Thus, the financial terms of the charter "must leave both the charter school and the school district financially secure and solvent." *Id.*

District 227, Southland's host district, has carried a fund balance of over \$36 million for the past three (3) years and has received the highest possible designation from ISBE for its financial condition in two of the past three academic years. Accordingly, renewal of Southland's charter for an additional five year term with an enrollment cap of 500 students at 100% of the PCTC is economically sound for both Southland and District 227.

No Clear Demonstration That Southland Has Violated A Provision of Applicable Law. There is no evidence that Southland has engaged in conduct that amounts to a violation of any provision of applicable law. The Organizational measures included in the Renewal Findings evaluate the extent to which Southland complies with applicable laws, regulations and rules. Southland met the standard on eighty (80) of the eighty-four (84) measures. As noted above, the four (4) far below standard ratings relate to Southland's failure to adopt a policy for English Language Learners (a far below standard rating each year from 2010-2014). However, when

Southland learned that the school is required to have a policy devoted to English Language Learners, even if it does not have students enrolled who need ELL services, the Board adopted a policy to address the problem. Therefore, Southland's action cured any temporary non-compliance and such temporary non-compliance does not amount to a material violation of applicable law.

Accordingly, the Commission's Findings and application review process provide no basis for the Commission to conclude that the conditions for nonrenewal set forth in 105 ILCS 5/27A-9(c) exist.

V. CONCLUSION

Southland is achieving the academic, financial, and organizational outcomes that the accountability provisions of its charter contract, and the Commission's Accountability Plan, obligate it to meet. On the basis of the information presented to the Commission, the Commission approves Southland's application for renewal and agrees to renew the Southland College Prep Charter High School charter contract for a period of five years with an enrollment cap of 500 students, at a funding level of 100% of the per capita tuition charge of the host Rich Township High School District 227.

Dated: March 26, 2015