INCREASING STATE EDUCATION AGENCIES’ PROCESSES FOR THE ACCOUNTABILITY OF TITLE I FUNDS IN THE CHARTER SCHOOL CLOSURE PROCESS

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Karen L. Campbell

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DEDICATION

I dedicate this thesis to the millions of children across the country who, because of Title I of the Elementary and Secondary Education Act, will thrive and realize their true potential.

I also dedicate this thesis to Title I staff in State Education Agencies and the United States Department of Education who work tirelessly for America’s Title I students.

Lastly, I dedicate this work to President Lyndon Baines Johnson whose foresight and wisdom made it possible for children struggling in poverty to have a fairer shot at achieving the American Dream.
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ABSTRACT

Using State Education Agencies (SEAs) charter school closure documents, this paper examines the extent to which SEAs hold closing charter schools accountable for adhering to the regulatory requirements for the use of federal grant funds, specifically those funds authorized under Title I, Part A of the Elementary and Secondary Education Act. Federal grants management actions in the charter school closure process are juxtaposed with the administrative, logistical and organization tasks that predominate SEAs’ charter school closure processes. Interviews with SEA personnel that have participated in their respective SEA’s charter school closure process illustrate actions to hold closing charter schools accountable for Title I funds; thereby providing the basis for recommended actions to increase SEAs processes for the accountability of Title I funds in the charter school closure process.
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LIST OF ACRONYMS

ARRA  American Recovery and Reinvestment Act
CFR    Code of Federal Regulations
DC-PCSB District of Columbia Public Charter School Board
ED     United States Department of Education
EDGAR  Education Department General Administrative Regulations
ESEA   The Elementary and Secondary Education Act
FFATA  Federal Funding Accountability and Transparency Act
GAO    Government Accountability Office
LEA    Local Education Agency
OIG    Office of the Inspector General
OMB    Office of Management and Budget
OSSE   Office of the State Superintendent of Education
NCES:  National Center for Educational Statistics
NAPCS  National Association of Public Charter Schools
NCDPI  North Carolina Department of Public Instruction
NJDOE  New Jersey Department of Education
NJSA   New Jersey Statutes Annotated
PACS   Philadelphia Academy Charter School
SEA    State Education Agency
Chapter 1: Introduction and Literature Review

Entities, such as public elementary and secondary schools, which use public funds, must be held accountable for the use of funds consistent with the applicable laws, regulations and approved grant agreements. While public education is primarily supported with non-federal funds, the federal government allocates funding to supplement states’ efforts to provide a free, public elementary and secondary education. Title I, Part A (Title I) funds, authorized under the Elementary and Secondary Education Act (ESEA), are a widespread source of federal funds awarded to supplement public education. Therefore, public elementary and secondary schools are accountable to the federal government for their use of Title I funds that they receive.

The federal government awards Title I funds to State Education Agencies (SEAs) to in turn allocate funds to their school districts, which in some jurisdictions includes charter schools, that have low-income students. The funds are then used at the school level to provide supplemental educational programs and services to increase the academic achievement of low-performing students. Although SEAs subgrant the majority of their Title I award to public school districts and charter schools (subgrantees), the federal government still charges SEAs with implementing processes and procedures to hold public elementary and secondary school districts accountable for their use of Title I funds. The schools districts themselves are not accountable to the federal government. It’s the responsibility of SEAs to ensure that Title I funds are used to meet the intents and purposes of the legislation, and that school districts receiving the funds follow the federal regulations for expending Title I funds.
The charter school movement has introduced a new dynamic in SEAs’ efforts to hold subgrantees accountable for the use of Title I funds. Charter schools in some states may operate as a public school district. However, unlike traditional public school districts, charter schools can cease to operate when their authorizer, the “entity or body approved by the state legislature to bring charter schools into existence” (Center for Education Reform, 2011) revokes or decides not to renew a school’s charter, which is the agreement under which the school is allowed to operate. This dynamic means that SEAs should have a mechanism to hold charter schools accountable for their use of Title I funds, even as schools face closure.

In response to the inevitability of having to close noncompliant charter schools, some SEAs have developed formal charter school closure processes, which are articulated in a document that serves as the roadmap to guide schools actions through the closure process. The purpose of SEAs’ charter school closure documents is to designate financial, organizational and administrative tasks that schools must complete to ensure accountability to stakeholders, authorizers, SEAs and the federal government.

SEAs’ closure documents should include actions to ensure that closing charter schools with access to Title I funds continue to use the funds consistent with federal regulations and guidance. In addition, closing charter schools must implement the United States Department of Education’s (ED) regulatory requirements for the closeout of federal grants. With closing charter schools, SEAs cannot rely upon their usual monitoring techniques, which can include taking actions against subgrantees’ future federal grants. Instead, closure documents that are effective in holding closing charter schools accountable for their available Title I funds, will reflect enhanced monitoring and oversight procedures for Title I funds and all federal funds. SEAs
must increase their processes for the accountability of Title I funds, and all federal grant funds, in the charter school closure process.

**Federal Grants-Background And Accountability Efforts**

In the 20 year period between fiscal years 1990 and 2010, the federal government’s level of grant funding to non-federal entities to support federal goals for national security and the welfare of citizens increased by over 400% (GAO, June 2011). Currently, almost 20% of the federal budget is comprised of grants to state and municipal governments to secure their assistance in achieving federal goals. Of the 23 federal agencies that grant funds to state and municipal governments, the Departments of Health and Human Services, Transportation and Education award the majority of these grants (GAO, 2011). One of the largest grant programs is the Department of Education’s Title I program, which is authorized under the Elementary and Secondary Education Act of 1965. (Pub. L. No. 89-10).

The federal Title I program grants funds to state governments through their SEAs to support programs and services in public school districts and charter schools. SEAs then subgrant Title I funds to school districts and charter schools to supplement their basic educational programs. Although public school districts, traditional public schools and charter schools are the end users of Title I funds, the federal government expects SEAs to act as the steward of the funds. As the entity ultimately held accountable for the use of Title I funds in school districts and charter schools, SEAs must ensure that the funds are used to meet the intents and purposes of the legislation that authorizes the funds.

To develop increased processes for the accountability of Title I funds in the charter school closure process, the literature review examines federal accountability efforts, the charter
school phenomenon and its growth, charter school closure, charter schools and Title I federal funds, and finally, charter schools’ fiscal vulnerabilities.

As one of the three federal agencies that grant the largest amount of funds, the United States Department of Education annually appropriates billions of dollars for programs to benefit children in public elementary and secondary schools across the United States. In federal fiscal year 2012, ED’s Office of Elementary and Secondary Education (OESE), which administers the Title I program, used its appropriation of $21,708,265,252 (Consolidated Appropriations Act, 2012) for its mission “to promote academic excellence, enhance educational opportunities and equity for all of America's children and families, and to improve the quality of teaching and learning by providing leadership, technical assistance and financial support” (U.S. Department of Education, OESE, 2012).

When awarding funds, the OESE does so with the understanding that grantees, such as SEAs, have effective “grants management programs to ensure that federal funds are used for their intended purpose and appropriately safeguarded.” (GAO, June 2011). Without such programs, federal funds become subject to “misuse, abuse and waste.” (GAO, June 2011). To avoid this, SEAs must have systems in place to monitor and oversee the use of federal funds in traditional school districts and charter schools.

The federal government provides SEAs with multiple authorities to inform their monitoring and oversight of Title I funds. Primarily, the federal government relies upon its standard “tools of the trade” to drive SEAs’ accountability and oversight processes (U.S. Department of Education, Risk Management Service, n.d.). The dominant authority that SEAs use in their enforcement efforts is the United States Code (USC), which contains the authorizing legislation for Title I: The Elementary and Secondary Education Act (ESEA). SupPLEMENTING
the USC is administrative law in the form of the Code of Federal Regulations (CFR), which specifies the ED’s rules for the implementation of programs in the legislation, such as Title I. A portion of the CFR, known as the Education Department General Administrative Regulations (EDGAR) further specifies the rules for the oversight and monitoring of Title I grants awarded by ED.

The ESEA and CFR are the preeminent tools that SEAs use to hold traditional school districts and charter schools accountable for their use of federal funds. In addition, the federal government develops policy to further guide SEA’s accountability efforts. The federal Office of Management and Budget issues regularly updated circulars or policy documents that specify the allowable uses of federal funds and provisions for audits of federal grant funds. Policy also emanates from federal agencies in the form of bulletins, guidance documents and communication to grantees. Still, despite these layers of accountability protocol, the federal government admits that, “more work is needed . . . to strengthen internal controls and oversight for federal grant funds.” (p. 7, GAO, June 2011).

The 2006 Federal Funding Accountability and Transparency Act (FFATA) is one such accountability mechanism that was enacted to strengthen accountability for and oversight of federal grant funds. To meet the FFATA’s intent of “increasing transparency and accountability of federal expenditures” (GAO, 2010, p. 6), states must submit grant expenditure data to the ED to populate, www.USAspending.gov, a website developed to report data on grants and contracts awarded with federal funds. This website, designed to make the use of federal funds more transparent, is only as effective as the data it receives. The Government Accountability Office (GAO) found that some federal agencies neglected to submit timely and accurate data to USAspending.gov, which compromised the public’s access to accurate data on spending of
federal grant funds. Without access to accurate data, the public is unable to do its part in protecting the use of federal funds (2010).

The federal government went beyond the FFATA to develop more active measures for the public to protect federal funds authorized under the American Recovery and Reinvestment Act of 2009 (ARRA). The ARRA appropriated $97.4 billion dollars in supplemental funding to the ED, of which $14 million was dedicated to ED’s Office of the Inspector General’s (OIG)3 efforts to oversee the use of ARRA funds. A portion of the OIG’s ARRA funds were used to implement Section 1553 of the ARRA which expanded protections for whistleblowers. The ARRA exceeded the protections of the Whistleblower Protection Act (5 USC §2302(b)(8)) by extending protections to employees of state and local governments and contractors who reported their employers’ mismanagement and waste of federal funds authorized under the ARRA (GAO, 2009).

In addition, the infusion of funding through the ARRA helped to better publicize the existence of FraudNet, a clearinghouse for the public to report the fraudulent use of federal funds, which resulted in an increase of allegations related to the use of the ARRA funds (GAO, 2009). The work of ED’s OIG resulted in 180 criminal investigations, with an estimated savings of almost $180 million (OIG, 2012). Unfortunately, the protections in ARRA §1553 applied only to funds appropriated under the ARRA.

1) by working to identify persons with access to federal funds that may use their positions to enrich themselves at the expense of the students, the intended beneficiaries of the funds. As part of its work to ensure accountability, the OIG conducts audits and investigations of entities that receive ED funds.

During the period from April 1, 2012 to September 30, 2012, the OIG focused its audit functions on the use of federal Charter Schools Program grant funds in Arizona, California and Florida, and announced its plans to conduct further audits of charter school activities. The OIG’s focus on charter schools is the result of increasing fraud allegations pointing to charter schools (OIG, 2012). The number of such allegations will surely rise as the number of charter schools expands.

The Charter School Phenomenon and Its Growth

Charter schools are public schools. However, in agreement for exemption from certain regulatory requirements for public schools, the charter school’s governing body agrees to enter into a contract, or a charter. An authorizing body, such as an institution for higher education, municipality, or non-profit organization, grants the charter while states fund charter schools, as they fund traditional public schools. However, in exchange for greater autonomy than traditional public schools, charter schools face the caveat that a school’s charter may be terminated if it does not meet the performance standards contained in its charter (NCES, 2012).

Since 1991, when Minnesota became the first state to authorize charter schools, 42 States and the District of Columbia have passed charter legislation, resulting in over 1.6 million children enrolled in charter schools during the 2009-2010 school year (NCES, 2012). Estimates for the 2012-2013 school year showed further growth of charter schools with 529 new charter schools for a total charter school enrollment of 2.3 million students (NAPCS, January 2013).
As the quantity of charter schools increases, so does the demand for quality. Ironically, this demand is being led charter school proponents. The National Association of Public Charter Schools (NAPCS) believes that charter schools unable to meet their charter standards and the needs of their students, should “conclude with school closure.” (p. 1). At the 2010 conference of the NAPCS, Arne Duncan, the United States Secretary of Education who is a proponent of charter schools, advised education reformers that, “Bad charter schools taint all of your reputations and allow your opponents, your opposition, to use those examples.” (Consoletti, 2011). This reality of closure was reflected in the 150 charter schools that closed at the end of the 2011-2012 school year (NAPCS, 2013).

**Charter School Closure**

The charter school statutes of the 42 States and the District of Columbia authorize both the establishment of charter schools and the closure of charter schools. Charter school statutes contain provisions to revoke or not renew a school’s charter for reasons such as poor academic performance, violation of the charter agreement and/or state law, and fiscal mismanagement (Grady, 2012).

Inherent in the charter school concept is the understanding that if schools do not attain their educational goals they become subject to closure (Eckes, Plucker & Benton, 2006). In the 22 years since the first charter school legislation was enacted, researchers have yet to produce conclusive evidence that charter school students perform better than students in traditional public schools. (Grady, 2012). For those charter schools that are unable to meet the terms of their charter agreement, which is often the goal of producing student achievement results that are comparable or superior to those of traditional public schools, authorizers may revoke or not renew the schools’ charter. At the end of the 2011-2012 school year, the New Jersey Department
of Education announced the closure of two charter schools, “that have chronically failed to produce acceptable results for their students.” (New Jersey Department of Education, March 2012). During the period from 1997 to 2011, 99 charter schools in Ohio closed due to poor performance. Still, charter schools that closed for poor academic performance may have been allowed to operate for years before they faced closure (Consoletti, 2011). In the interim, these charter schools often deal with not only academic issues, but also financial issues that threaten their survival.

The majority of charter schools that close do so for financial reasons, which can manifest prior to academic issues. Over 65% of charter schools that closed attributed their demise to insufficient finances and mismanagement of finances, while only 18.6% of charter schools identified academic performance as the reason for their closure (Consoletti, 2011). The fiscal challenges that charter schools face can be the result of States’ charter school funding laws.

Charter schools, like traditional public schools, receive state aid. However, some states allocate less state aid to charter schools than traditional public schools. For instance, New Jersey grants charter schools 90% of the state per-pupil aid that their students’ resident public school districts receive (NJSA §18A:36A). Some states base their charter school per-pupil funding on the students’ resident districts. Often charter school students reside in low-income districts where the per-pupil amount is less than that of more affluent districts. Another funding method is for states to calculate the charter school’s per-pupil aid using an average of State per-pupil funding. This inherently results in charter school receiving less per-pupil funds than other districts. Both of these calculations are based on the average daily attendance of charter schools, not their average daily enrollment. Thus, charter schools may not receive a state per pupil aid allocation for every student they actually enroll (Sugarman, 2002).
The fiscal readiness of charter schools’ founding bodies can be another factor that leads to their closure. Ninety percent of charter schools that closed due to lack of finances were started by independent, grass roots organizations that did not have proper start-up capital, and probably should not have been approved to operate (Consoletti, 2011). In the absence of the support of an educational management organization, independent charter schools faced resource barriers that threatened their viability (Scott, 2009), leading to revocation or non-renewal of their charter.

When charter schools do close, whether for performance or financial reasons, SEAs must deploy their resources to hold the schools accountable for its use of federal funds, such as Title I grant funds, before the schools cease to exist. The federal government cautions that SEAs’ timely oversight can ensure that any unspent federal funds are not misused, grant records are intact and that employees with responsibility for administration of the grant perform their due diligence. Timely oversight also enables SEAs’ to reclaim and reallocate unused funds (GAO, June 2011). Oversight for federal Title I funds is critical as the number of charter schools meeting the Title I eligibility requirements increases.

The federal government admits that SEAs lack effective processes and procedures to account for federal funds awarded to closing charter schools. The OIG’s audit of the federal Charter Schools Program Planning and Implementation (CSP) Grant looked at funds awarded to SEAs for sub-awards to existing or yet to open charter schools. The OIG’s September 2012 audit report concluded that SEAs lacked adequate charter closure processes and procedures, which included the requirement for the disposition of federally funded assets.

The OIG audit reviewed the processes and procedures that the Florida, Arizona and California Departments of Education used to oversee the CSP grant funds of over $7 million dollars awarded to 26 closed schools. The OIG found that the Arizona SEA did not have a
written charter closure process. The OIG deemed the Florida SEA’s and the California SEA’s closure processes to be inadequate, as both SEAs relinquished their oversight role to the charter schools’ authorizers. As such, the OIG could not ascertain if federally funded assets in closing charter schools were disposed of in a manner consistent with federal regulations.

The OIG audit supported the need for SEAs to increase their accountability processes for Title I funds, and all federal grant funds, awarded to closing charter schools. The report reminded SEAs that as the grantee of record, they cannot delegate their oversight responsibilities to charter school authorizers. Both the Florida SEA and California SEA expected authorizers to handle the assets disposition process, but, as the OIG indicated, “if a subgrantee fails to take appropriate disposition actions, . . . the grantee must take appropriate disposition actions” (p. 25). Thus, the OIG recommended that there be action to (Office of the Inspector General

Ensure that SEAs develop and implement adequate monitoring procedures for properly handling charter school closures and for properly accounting for . . . funds spent by closed charter schools, including proper disposition of assets purchased with SEA grant funds in accordance with Federal regulations. (Office of the Inspector General, September 2012, p. 26)

Charter Schools and Title I Funds

Title I funds are one source of federal funds that SEAs can reclaim and reallocate by exercising increased oversight during the charter school closure process. Although State policies may result in charter schools receiving less State funding than traditional public schools, many charter schools are able to access federal Title I funds. In the 2009-2010 school year, one-third of charter schools were classified as high-poverty schools, meaning more than 75% of their
students met the federal poverty requirements for free or reduced-priced school lunch (NCES, 2012). The high-poverty rates of these schools made them eligible for Title I funding.

Title I, Education for the Disadvantaged, provides financial assistance for school districts to help their high poverty schools address the needs of low-performing students within the schools (OESE, 2011). In fiscal year 2011, Title I, the largest program authorized under the ESEA, received an appropriation of $14,463,416,198. With this appropriation, the ED awarded Title I funds to the 50 States, the District of Columbia and Puerto Rico in amounts ranging from $32,551,783 to $1,626,853,420. These jurisdictions then used their Title I award to provide sub-grants to their public school districts, which includes charter schools.

In March 1998, ED issued guidance advising SEAs that, “when allocating Title I, Part A funds, SEAs and LEAs must treat public charter schools in a manner consistent with the Title I statute and regulations and take all reasonable steps to ensure that public charter schools receive their full allocations.” (OESE, 1998). Thus, when New Jersey received its FY 2012 Title I award of over $300 million, it allocated $19.25 million to the State’s 86 charter schools (New Jersey Department of Education, Office of Grants Management, n.d.).

Charter schools’ enrollment trends suggest that Title I funds will be the one source of federal grant funds that is available to most charter schools. Charter schools tend to enroll more low-income students than traditional public schools, and fewer English language learners than traditional public schools (Buckley & Sattin-Bajaj, 2011). Charter schools also tend to enroll fewer students with disabilities than traditional public school students. Students with disabilities comprise approximately 11% of the enrollment of students in traditional public schools. However, in charter schools, students with disabilities comprise only eight percent of the student body (GAO, June 2012). This means that charter schools are less likely to receive federal grants
to provide supplemental educational services to English language learners and students with disabilities. Yet, their tendency to enroll low-income students means that many charter schools will have access to Title I funds.

As recipients of Title I funds, charter schools become subject to the federal government’s arsenal of accountability tools: the authorizing legislation (ESEA), the Code of Federal Regulations, and the ED’s policy documents. Still, SEAs’ face challenges in their oversight of charters schools’ use of Title I, and any federal funds. Even with these tools, the structure and organization of charter schools heightens their propensity for the misuse of federal funds; thereby presenting a unique challenge for SEAs.

**Charter Schools’ Fiscal Vulnerabilities**

An all-volunteer board of trustees governs charter schools, whereas an elected or appointed board of education governs traditional school districts. This distinction can result in charter schools having a board of trustees with less experience and professional knowledge than persons appointed or elected to a traditional board of education (DeJarnatt, 2012). One resulting complication is having the charter schools’ founder or board of trustees’ members serving on the board of affiliated organizations. The case of Philadelphia Academy Charter School (PACS) exemplified how blurred lines of governance and nebulous affiliations presented an accountability challenge for SEAs and the federal government. Both the Board President and Chief Executive Officer of PACS were convicted of abusing federal funds by charging the school an inflated rate to rent a facility owned by the non-profit organization affiliated with the school (OIG, March 9, 2010).

Charter school legislation in some States relaxed the licensing and certification requirements for personnel charged with administering the schools finances. The State of New
York’s laws allowed charter schools to hire persons in the role of Chief Financial Officer that do not possess the requisite state certification. (Brent & Finnigan, 2009). A survey of Chief Financial Officers in New York State found that some charter schools employed non-certificated and non-degreed personnel, half of which had less than two years of experience, to manage the schools’ fiscal operations.

The literature suggested that having inexperienced fiscal personnel can lead to the misappropriation and misuse of public funds by charter school officials. Studies indicated that some charter schools have a vague understanding of sound fiscal practices (Brent & Finnigan, 2009; DeJarnatt, 2012). In addition to the scandal involving the PACS, officials in several other Philadelphia charter schools were convicted of criminal charges for their unscrupulous use of public funds (DeJarnatt, 2012). An evaluation of charter schools’ independent audit reports found questionable practices around internal controls, grants management skills, documented financial polices and procedures, and ethical bidding practices (Brent & Finnigan, 2009). Specifically, there were cases of charter schools rendering hundreds of thousands of dollars in payment for unspecified accounting entries like “other services” and “consulting.” Often, these payments were made to paid administrators or relatives of school administrators (DeJarnatt, 2012).

The conditions that challenge charter schools’ appropriate use of federal funds become even more challenging when a charter school learns that its charter is being revoked or not renewed. Many charter school closure activities centered around the preparation of student records, communicating with students and their families (GAO, 2005) and participating in the appeals process, if the charter school exercises to do so (Eckes et al., 2006). The literature suggested that in the closing process, attention to fiscal matters is secondary.
When working with closing charter schools, staff members from the District of Columbia’s two charter authorizers, the Board of Education’s Office of Charter Schools and the Public Charter School Board, were deployed to address logistical issues, not to oversee the schools’ continued use of federal funds. The authorizers were forced to expend their funds to complete the closing process because the schools were financially insolvent. By contracting with a records management company to handle the collection, transfer and storage of student records, the authorizers met what they described as the, “the most challenging aspect of closing schools.” (p. 27). However, both authorizers admitted that they did not have processes in place to deal with closing a financially insolvent charter school (GAO, 2005).

Conclusion

Despite the federal government’s efforts to increase measures for the accountability of public funds, charter schools continue to pose a challenge to the accountability community. The charter school phenomenon shows no signs of slowing down. The expansion of newly opening charter schools indicates that federal funding, like Title I, will continue to be a source of funds for more and more charter schools. Still, as more charter schools receive Title I funds, there will continue to be charter schools with questionable fiscal practices that result in Title I funds not being used for their intended purpose. Fiscal issues will force many such charter schools to close, which further jeopardizes the use of Title I funds during the charter schools dissolution process. Here, SEAs face a greater challenge.

As more charter schools close, SEAs can no longer rely upon their standard monitoring and oversight practices to ensure that charter schools receiving Title I funds meet the statutory and regulatory requirements. SEAs must engage in proactive processes and procedures that begin at the time the charter school is notified of its closure until the school’s board of trustees can
account for the last dollar of Title I funds. By expanding their protocol for oversight of closing charter schools, SEAs can maximize their stewardship of federal funds and ensure that even though a charter school is closing, its Title I funds can be used to benefit children in other schools.
Chapter 2: Methods and Design

Research Design

This research project was grounded in the theory that SEAs’ do not adequately focus on the accountability for federal Title I funds in the charter school closure process. The theory originated from the researcher’s experience as an employee in an SEA that has experienced significant difficulties accounting for federal Title I funds awarded to closing charter schools. The researcher linked this difficulty to the SEA’s charter school closure process, which directed the closing charter school to take actions to meet federal requirements for closing out grants, but did not specify the requirements or provide specific steps for closing out federal grants. The SEA’s charter school closure process did not even identify federal grants by name. Federal funds allocated to charter schools for specific purposes, with distinct allowable uses for specified targeted populations, were just lumped into the generic category of “federal grants.” Also the researcher found it problematic that the SEA’s charter closure process did not provide a time frame to guide closing charter schools’ actions.

If an SEA which prided itself on promoting charter schools (as did the one in which the researcher works) did not have processes and procedures to protect federal Title I funds in the charter school closure process, the researcher theorized that this lack of processes extended to other SEAs. Thus, despite research identifying charter schools’ vulnerability when using federal funds, and the reality that most charter schools close due to financial issues, SEAs did not place Title I funds, and federal funds in general, at the forefront of their work with charter schools identified for closure. Thus, the research sought to answer the following question, “How can
SEAs increase their accountability measures to ensure that closing charter schools meet the statutory and regulatory requirements for the use of Title I funds?”

In preparation for this research project, the researcher conducted a pilot study to determine SEAs’ level of interaction in the charter school closure process. Additionally, the pilot study sought to clarify if such interaction existed, did it include processes and procedures to address the closing charter schools’ use of federal funds, specifically Title I funds. The pilot study consisted of an email to Title I Directors in 53 SEAs (49 States, the District of Columbia, American Samoa, the Bureau of Indian Education and Puerto Rico) seeking the following information:

a. Does your state have formal processes and procedures for charter schools that are closing?

b. If so, do these processes and procedures specify action steps related to the Title I grant?

Using the response rate from the pilot study as a foundation, the research proceeded with the collection of data from the 13 SEAs that responded as either having documented charter school closure processes and procedures or those that responded with a description of definitive actions the SEA takes to address charter school closure in the absence of formal processes and procedures.

Seven SEAs responded to the pilot study and indicated that their SEA did have a formal charter school closure process, which was defined as a stand-alone document that specified actions the SEA must take during the period of time between the charter school’s notice of
pending closure and the actual date on which the charter school ceases operations. Six of these SEAs actually forwarded an electronic version of their charter closure document. One of the respondents referenced a formal closure process, but did not attach it to the response. Additionally, the pilot student identified six SEAs that were able to articulate monitoring and oversight procedures for closing charter schools that they implemented in the absence of a formal closure process.

As a result of the pilot study, the researcher identified a pool of 14 SEAs (13 pilot study respondents and the SEA in which the researcher works) as sources of data on charter school closure processes. The research was designed to collect data from these SEAs on the quality of existing processes, if any, that the SEAs used to account for Title I funds when charter schools closed and the degree to which SEA’s existing processes were effective in meeting the federal regulatory and statutory requirements for the accountability of Title I funds. The data collected would be two-fold: data from the analysis of SEAs charter school closure documents, and data from interviews with personnel in SEAs without a formal charter school closure document as identified in the pilot study. This design allowed the researcher to collect “objective” and “subjective” data.

SEAs’ formal closure documents provided objective data on the SEAs’ closure processes around Title I funds, while interviews captured subjective data on SEAs’ practices around charter school closure that have evolved in the absence of a formal closure document. The interviews also provided qualitative data on the subjects’ perceptions of their SEA’s charter school closure actions. The juxtaposition of the subjective and objective data ideally provided a comprehensive picture of the actions that SEAs were or were not taking to account for Title I funds in the charter
school closure process, and identify gaps that would provide the basis for enhanced processes that SEAs could use to account for federal funds in the charter school closure process.

The researcher did not anticipate any ethical issues with collecting data from SEAs’ charter school closure documents. These were public documents that were readily available on SEAs’ web sites. However, the researcher anticipated some concerns with securing interviews with SEA personnel. The research project would potentially expose gaps in SEAs’ charter school closure process that compromised the accountability for Title I funds. Also, as an employee of an SEA, the researcher was aware that public agencies have strict policies around employees speaking to third parties, such as researchers and the media. Therefore, the researcher’s application to the Institutional Review Board articulated that the name of the SEA in which the interview subjects were employed would remain confidential. Instead, the researcher project referred to interview subjects’ SEA by their geographical regions and divisions as defined by the United States Census Bureau (Northeast divided by New England and Middle Atlantic States; Mid-West divided by East North Central and West North Central; South divided by South Atlantic, East South Central and West South Central; and West divided by Mountain and Pacific).

Data Collection

Ultimately, the researcher collected data from the document(s) serving as the charter school closure process for 14 SEAs: One SEA in New England region, three SEAs in the Middle Atlantic region, three SEAs in the Midwest region, five SEAs in the Southern region, and two SEAs in the Western region. The research was supplemented by data collected from semi-structured interviews with personnel from three SEAs in the South, Midwest and West.
The researcher acquired the document serving as the SEAs’ formal charter school closure process through one of two ways. In their response to the pilot study, seven SEA personnel attached a copy of their SEA’s charter school closure process. These formed the initial sample of charter closure documents for analysis. Some of the charter closure documents acknowledged that they used other SEAs’ charter closure documents as a resource, and in some cases provided the link to the other SEAs’ charter closure document. Through such acknowledgements the researcher acquired the charter school closure documents of four additional SEAs. Additionally, two interview subjects forwarded a copy of their SEA’s charter school closure document, which was under development at the time of the pilot study. Including the charter school closure document from the researcher’s SEA, this expanded the sample to 14 documents for analysis.

Interviews provided another data source. The pilot study identified seven SEAs without a formal closure document, but with articulated practices around charter school closure that reflected elements of federal regulations for the oversight of grant recipients. Personnel from these SEAs were selected as interview participants to determine the history behind their SEAs’ charter closure actions, and how these actions have helped to mitigate the loss of federal Title I funds in the charter school closure process. Interviews with selected respondents collected data on and provided examples of the degree to which the federal government’s interests are compromised when charter schools close. Additionally, interviewees offered input into the feasibility of recommendations for expanded closure processes and procedures to ensure that closing charter schools meet the applicable the program and fiscal requirements of federal funding programs.

The researcher contacted five potential interview subjects via email. The subjects were selected based on their SEA’s response to the pilot study. The initial email to potential interview
subjects included their respective SEA’s response to the April 2013 pilot study, which identified the SEA actions around the charter school closure process. The email requested the recipients’ participation in the research project to further discuss the SEA’s actions. In response, personnel from two SEAs without a formal charter school closure process at the time of the pilot study, and one subject from an SEA without a formal charter closure process participated in the interview phase of the data collection process.

Each interview subject worked in the SEA office responsible for coordinating charter school closure activities. The interviews were conducted via telephone, subsequent to the interview subjects receiving an email forwarding the researcher’s approved IRB application, which included the unsigned consent form. The email also explained that the interview would be taped and provided access information for the free conference call service.

The semi-structured interviews began with the researcher reviewing the response of the respective SEAs to the April 2013 pilot study and posing questions such as:

- What lead the SEA to take the specified actions during the charter school closure process?
- How many of the SEA’s offices/personnel were involved in the SEA’s closure actions?
- What challenges did the SEA face in its actions around charter closure?
- What were some of the lessons learned from the SEA’s actions around charter school closure?
- What specific actions did the SEA take around the Title I grant?
- What specific actions did the SEA take around federal funds?
Additionally, the interviews collected phenomenological data on the subject’s experiences with and perceptions of their SEA’s charter school closure process. The average interview length was 26 minutes and 31 seconds.

**Data Management**

The researcher used Dedoose, a web-based qualitative analysis software program to store and manage both the document analysis and interview data. The actual charter school closure documents were uploaded to Dedoose as part of the media for coding and analysis. Dedoose does not accept Portable Document Files (PDF) as media; therefore, the researcher used Adobe ExporePDF to convert several closure documents to Word files before uploading them to Dedoose for coding and analysis.

The researcher’s conference calling service provided an MP3 audio file of the recorded interviews. The files were downloaded into iTunes, and then played back using Song Speed, a software application that decreases the playback speed of audio files. Using Song Speed, the researcher transcribed the audio files into a Microsoft Word document as the audio files were played back at a slower speed. The resulting transcription in Microsoft Word was then uploaded to Dedoose as media file for coding and analysis.

**Methodology Limitations/Ethical Issues**

The collection of data from SEAs’ current charter school closure processes provided an objective indication of whether SEAs are even identifying accountability for Title I funds as a consideration in their charter school closure process. The data also illustrated the factors that SEAs consider to be critical in the closure process and where SEAs’ focus their efforts. The level of detail reflected in some SEAs’ charter closure documents was also indicative of the SEAs’ level of experience with charter school closure.
Still, the researcher was aware that although objective, closure documents may not have been developed with the input of SEA staff familiar with the management of federal grants. Closure documents were developed in reaction to issues that the documents’ developers encountered in their charter school closure processes. Subsequently, closure documents reflected the most time-sensitive and controversial issues that rise to the forefront of charter school closure (e.g., storing and transferring student records and personnel files, communication to stakeholders). As a result, charter school closure documents were not completely objective, as they reflected the knowledge and experiences of the SEA staff developing the document, and the issues that documents’ developers perceive as critical. If the developers were not knowledgeable about federal grants management requirements, closure documents would not include the necessary actions to ensure accountability for federal Title I funds awarded to closing charter schools.

Each of the interview subjects participated in the charter school closure process. However, the subjects had varying levels of experience with and knowledge of federal Title I funds. Not all the subjects worked in SEA offices with responsibility for the oversight and management of federal Title I grants. Thus, some interview subjects were unable to articulate federal grants management components that were a part of their SEA’s charter closure process.

Each subject was able to discuss specific situations around charter school closure that prompted the SEA to develop stronger accountability measures for closing charter schools. The interviews strengthened the research purpose by augmenting the literature on the need for enhanced accountability measures for closing charter schools, and the inherent vulnerabilities in the charter school model that lead to fiscal improprieties. However, because the interview subjects did not work closely with federal grants, they were able to provide limited data on the
degree to which federal grants in their SEA had been compromised in the charter school closure process. Yet, the subjects were invaluable in offering insight into proactive measures that SEAs took to mitigate the inappropriate use of federal funds in the charter school closure process. These proactive measures would become critical as the researcher developed recommendations for enhanced policies and processes that SEAs could use to ensure accountability of Title I funds in the charter school closure process.
Chapter 3: Data Analysis And Results

SEAs are not doing an adequate job of holding closing charter schools accountable for adhering to the regulatory requirements for the management of federal grants. This supposition underpins the research goal, which is to develop processes to increase SEAs’ accountability for Title I funds in the charter school closure process. To substantiate this belief, the researcher collected and analyzed data from 14 SEAs’ formal charter school closure documents and data from interviews with staff from three SEAs, each of whom has first-hand experience with closing charter schools.

Data Analysis And Findings-Charter School Closure Documents

The research entailed collecting data from charter school closure documents with the primary goal of identifying SEAs whose charter school closure process articulated actions for the management of federal grants in general, and the Title I grant in particular. Initially, the closure documents were categorized as either referencing federal grants management actions or not referencing federal grants management actions. Secondly, closure documents that included federal grants management actions were further analyzed for references to the regulations guiding such actions. Finally, to measure SEAs’ primary accountability focus in the charter school closure process, documents in both categories were analyzed to identify actions that took precedence in SEAs’ efforts to hold closing charter schools accountable.

Federal grants management actions. The review of closure documents in the sample identified 11 SEAs who referenced federal grants management requirements as part of the charter closure process. The documents addressed federal grants management actions for recordkeeping, closeout/reporting, reconciliation of funds and asset disposition. Further analysis revealed that only six SEAs’ documents included the regulatory citations governing the grants
management actions closing charter schools were instructed to complete, with only two documents identifying the Title I grant as a source of federal funds. The disparities continued in the level of detail the SEAs documents provided for completion of these actions, and how closely the document aligned with the applicable federal regulations.

**Reporting.** The primary federal grants management action that SEAs’ closure documents identified was the requirement for schools to submit expenditure and program reports. Ten of the 11 documents specifying actions for managing federal grants indicated that schools must satisfy reporting requirements. The regulations require that, “within 90 days after the expiration or termination of the grant, the grantee must submit all financial, performance, and other reports requires as a condition of the grant.” (Education Department General Administrative Regulations, 34 CFR §80.51, 2003). The collection of this data from closing charter schools is necessary to populate SEAs’ annual financial and performance reports that must be submitted to the Education Department. Despite the importance of obtaining these reports, none of the documents gave their closing charter schools explicit instructions on completing this requirement.

The majority of documents reminded schools of the requirement to submit final expenditure reports and/or final program reports. Yet, when instructing their closing charter schools to submit these reports, few SEAs’ documents included detailed instructions for submitting reports, links to directions for submitting the reports or even the regulatory citation requiring the submission of such reports. Instead, the majority of documents simply informed schools that they must submit the reports.

The Idaho SEA’s document was an example of one such document that provided little guidance on federal reporting requirements. The document stated, “close out state, federal, and
other grants. This includes filing any required expenditure reports or receipts and any required program reports . . .” (Idaho Public Charter School Commission, 2013, page 11). The New York SEA’s closure document took the same approach. It indicated, “ensure that Federal Expenditure Reports (FER) and the Annual Performance Report (APR) are completed.” (New York State Education Department, 2012, page 19). The Michigan SEA’s document offered more guidance on the process for submission of final reports. It informed schools that final expenditure and program reports must be filed through the SEA’s, “Cash Management System.” (Michigan Department of Education, 2005, page 4)

Another federal grants management reporting requirement that SEAs’ documents referenced was the completion of federal Form 269/269a, or Financial Status Report (269 refers to the long form and 269a is the short form). Here, SEAs’ documents provided inconsistent and outdated information to their schools. Four SEAs’ closure documents (Indiana, Massachusetts, New York, Michigan) instructed schools to complete Form 269/269a, and cited the federal regulation requiring the form. The federal regulation cited (34 CFR 80.41) requires that recipients of federal grant funds, “use Standard Form 269 or 269A, Financial Status Report, to report the status of funds . . . for all grants”.

This reporting requirement applies to charter schools that receive grant funds directly from ED. Four SEAs in the sample had charter schools that would apply directly to ED for funds through the federal Charter Schools Non-State Educational Agency (Non-SEA) grant program (Idaho, Missouri, Maryland, Pennsylvania). Yet, each of the four documents that referenced completion of Form 269/269a were from SEAs that would apply for CSP funds on behalf of their charter schools, which means the SEA would be responsible for submitting Form 269/269a. The Indiana SEA’s document recognized this inconsistency as it directed schools to
file Form 269/269a, but admitted it was “not likely” that schools would need to complete this requirement (Indiana Department of Education, n.d., page 4).

Furthermore, if the schools were responsible for submission of Form 269/269a, the SEAs’ documents provided inaccurate information. As of October 1, 2009, Form 269/269a became obsolete when the OMB transitioned to the Federal Financial Report ((Information Collection Activities, 2009). Two of the SEAs’ documents (New York and Massachusetts) that referenced the submission of Form 269/269a were developed in 2012, which was well after the OMB retired the form.

SEAs’ use of closure documents that do not provide clear guidance and misrepresent federal grants management requirements is concerning. As recipients of federal grant funds, SEAs must be aware of all federal grants reporting requirements, and the repercussions of submitting inaccurate reports to the ED, the awarding agency.

Another concern with SEAs articulation of federal grants reporting requirements is the dissemination of inaccurate information. SEAs that distribute documents that misinform schools of reporting requirements, or include non-applicable reporting requirements, suggests that either these SEAs are not knowledgeable of federal grants reporting requirements, or that SEAs’ personnel who developed the documents are not knowledgeable of federal reporting requirements. The closure of a charter school affects multiple offices in SEAs. Therefore, SEAs’ development of their charter closure document should be an inter-office initiative that includes personnel knowledgeable of the most current federal reporting requirements.

**Recordkeeping.** Federal regulations mandate that grant recipients maintain records to document programmatic and fiscal grant activities. 34 CFR 80.42, “Retention and access requirements for records” expands the scope of record-keeping to, “all financial and
programmatic records, supporting documents, statistical records, and other records of grantees or subgrantees . . .” This regulation articulates how long recipients must retain records, in what form they may keep records, and who has access to such records. In the sample of 14 SEA closure documents, only six documents referenced the recordkeeping requirements of 34 CFR 80.42.

The six documents belonged to the Colorado SEA, Idaho SEA, Indiana SEA, Michigan SEA, New York SEA, and the DC-PCS B. Each document directed schools to maintain records in accordance with 34 CFR 80.42, but none provided details on what such record-keeping entailed or even the hyperlink to the regulations. The Michigan SEA’s document explained that, “All PSA [public school agency] business records and records relating to federal grants must be kept in accordance with 34 CFR 80.42” (Michigan Department of Education, 2005, page 6). The Colorado SEA’s document indicated that, “records relating to federal grants must be kept in accordance with 34 CFR 80.42” (Colorado Department of Education, 2011, page 9). The Idaho SEA’s document similarly prompted schools that, “All the school’s business records and records relating to federal grants must be kept in accordance with 34 CFR 80.42” (Idaho Public Charter School Commission, 2013, page 10).

SEAs’ directive that closing charter schools must adhere to regulatory requirements for grants recordkeeping without explaining the requirements does little to enforce the regulations. The majority of the schools that will use SEAs’ closure documents are schools that experienced difficulties managing finances. Inherent in fiscal mismanagement is the inability to follow sound financial practices, which includes maintaining accurate and timely financial records. Thus, directing schools with a history of financial problems to follow regulatory requirements for
maintaining financial records, without clearly explaining the requirements, does not promote accountability for federal funds in the charter closure process.

**Reconciliation.** SEA closure documents were more explicit in their instructions for schools to reconcile their federal grant funds. Six documents instructed schools to reconcile their federal funds accounts, and the procedures for returning unobligated federal grant funds and/or seeking reimbursement for available federal grant funds. This directive reflects the regulatory requirement of 34 CFR 80.20, “Standards for financial management systems” which mandates that grantees (SEAs) follow cash management procedures to limit the amount of unobligated funds that subgrantees (public school districts and charter schools) have on hand.

The Texas SEA’s document included explicit instructions that minimized closing charter schools’ access to federal funds. Upon notification of a school’s closure, a designated staff member in the Texas SEA’s Division of Grants Administration places the school’s federal grant funds on hold and changes the grant project period. The new ending date of the grant project period becomes one day prior to the date of the school’s closure. Thus, if the grant project period is July 1, 2013 to June 30, 2014, and the school’s closing date is May 30, 2014, the Texas SEA’s grant system reflects May 29, 2014 as the end of the project period for the school.

Once the Texas SEA’s grants administration staff updates the electronic grants management system to reflect the reimbursement hold and new project period, the school can receive reimbursement for federal funds, but only with the Texas SEA’s approval of its expenditure report. The school cannot receive reimbursement for expenditures incurred after the closure date. Thus, the Texas SEA’s closure process took proactive steps to ensure that schools do not have access to federal grant funds after they cease to provide educational services to students (Texas Education Agency, 2012).
Other SEAs’ closure documents did not reflect such proactive measures. Instead, the documents cautioned schools that they must return unobligated grant funds, informed schools how to seek reimbursement and one document instructed schools how to expedite reimbursement of federal funds. The New York SEA’s document indicated that schools must, “return funds as appropriate for grant projects/programs that will be terminated or not completed” (New York State Education Department, 2012, page 10). The California SEA’s document also reminded schools of the requirement for, “the return of any grant and restricted categorical funds to their source according to the terms of the grant or state and federal law” (California Department of Education, 2009, page 3).

The DC-PCSBr’s document was less cryptic. It provided the rationale for returning federal grant funds, such as “grant adjustments”, “change in the grant allocation” or “a result of an audit or monitoring visit from the federal government directing OSSE to recuperate funds from LEAs” (District of Columbia Public Charter School Board, 2010, page 24). It also provided instructions for the process to return funds (“by check payable to “DC Treasurer” and sent to the OSSE grant manager that requested the funds”) (DC PCSB, 2010, page 24). Still, unlike the Texas SEA’s closure process, the DC-PCSBr’s process did not take proactive measures to ensure that schools use available federal grant funds for allowable purposes; nor did the DC-PCSBr’s process take actions to stem the flow of federal grant funds to schools that are probably closing for failure to properly manage finances.

Also problematic was that closure documents of the DC-PCSBr, the California SEA, and the New York SEA anticipated that schools with unobligated federal funds had accurate enough accounting processes to identify unobligated funds and return them in a timely manner. These SEAs’ closure processes forced schools, in the midst of implementing other closing activities, to
identify funds that they will not use and return them to the SEA at a time when schools have a
dire need for all available financial resources. In its closure document, the DC-PCSB
acknowledged that schools’ needed financial resources, as the document required schools to
submit a plan for, “further reimbursement requests to complete all draw downs in a timely
manner” (DC PCSB, 2010, p. 24). Additionally, the DC-PCSB’s document advised schools to
contact the Board’s grants personnel to “as soon as possible to expedite getting any remaining

The Texas SEA’s closure document was the only one sampled that included explicit
actions to limit closing charter schools’ access to federal funds to hold them accountable for
using funds responsibly. Other SEAs’ documents acknowledged the reality that schools still
have access to federal funds, but contained no definitive actions to ensure that, in their final
months of operation, schools are using funds for allowable expenditures. The New York SEA’s
document cautioned schools that grant funds cannot be used for “costs related to closure” (New
York State Department of Education, 2012, p. 10). However, beyond this admonition, the
document did not specify any actions for schools.

**Asset Disposition.** Eight SEAs’ closure documents included specified actions for schools
to dispose of assets (materials, supplies and equipment) purchased with federal funds. While
some SEAs’ documents provided few details on the process to dispose of federally funded assets,
other SEAs’ documents provided details and cited the regulatory requirement for asset
disposition. Unfortunately, not all SEAs provided accurate guidance to schools, which
ultimately results in a failure to accurately account for federal funds in the closure process.

The regulatory requirement governing the disposition of federally funded assets is 34
CFR 80 Subpart C (Post-Award Requirements) and Subpart D (After-the-Grant Requirements).
The regulations cover the disposition of equipment purchased with federal funds (80.32) and supplies (80.33), which stipulates the actions recipients must take when items purchased with federal funds are, “no longer needed for the original project or program . . .”

Five of the eight closure documents that included processes for asset disposition acknowledged the regulatory requirement that assets purchased with federal funds must be distinguishable from assets purchased with non-federal funds. Some documents also referenced the regulatory requirement that recipients maintain an inventory of federally funded equipment (items costing over $5,000) and have a mechanism for identifying federally funded supplies (items costing less than $5,000). The Idaho SEA’s document included a procedure wherein SEA personnel conducted a walk-through of schools as part of the asset disposition process. The document reminded schools that, “all federal items must be prepared and distinctly separate from other school assets” (Idaho Public Charter Commission, 2013, pp. 10-11). The document mentioned a “Federal Items Inventory spreadsheet” (p. 10) that schools must have readily available for the walk-through. The DC-PCSB’s closure document also prompted closing schools to, “prepare . . . a log of all equipment and supplies purchased with federal grants. . . ” (p. 9). While SEA closure documents may have been consistent with the requirement for the identification of federally funded assets, they sometimes differed in the actions they took to redistribute such assets. This resulted in processes that were not consistent with federal regulations.

Federal regulations stipulate that recipients may retain, sell or “otherwise” dispose of items with a market value of less than $5,000. Recipients may either retain or sell an item with a per unit market value of greater than $5,000. However, the awarding agency (ED) receives the amount above $5,000 based on the item’s market value, or which the recipient earned from the
sale of the item (EDGAR, 34 CFR §80.32). Some SEAs’ closure documents did include this
distinction. Instead, they instructed schools to redistribute all items to other grant recipients,
remained silent on any redistribution procedures, or just directed closing charter schools to the
federal regulations to figure out the redistribution process.

The Missouri SEA’s document instructed the authorizers of closing charter schools to
redistribute, “equipment and or material exceeding a value of five thousand dollars ($5,000)
purchased with federal funds . . .” (Missouri Department of Education, n.d., p.2) to other
participating LEAs based on the percentage of students from closing schools that are enrolling in
local public school districts or to redistribute items using a lottery system. Clearly, the closing
charter school is not retaining the equipment; yet, the directive in the Missouri SEA’s document
did not mention the regulatory requirement to sell equipment with a per unit value over $5,000.
Likewise, the DC-PCSB’s document indicated that “federal property . . . must be transferred
according to the following procedures” (DC PCSB, 2010, p. 27). The document then proceeded
to describe the DC-PCSB’s process for notifying operating charter schools of available federal
property for acquisition and how schools could claim such federal property. The document did
not delineate procedures for the disposition of federal property with a market value of greater
than $5,000 or federal property with a value less than $5,000.

Also problematic is the degree to which SEAs’ documents detailed the procedures for the
disposition of federally funded assets. Many documents referenced the federal regulations for
asset disposition, but failed to provide any details on, or even summarize, the process for asset
disposition. None that included the regulatory citation provided a hyperlink to the actual
regulation as a resource for closing charter schools.
Further problematic were the closure documents that did not include a regulatory citation to the federal requirements for asset disposition. Instead, these documents just ordered schools to follow federal requirements for asset disposition, without citing such requirements. For instance, the New Jersey SEA’s document directed schools to, “provide proof of proper liquidation of goods acquired through federal grant(s) including but not limited to the following task(s): Verify liquidation and/or transfer of property acquired through federal grants to the district(s) of residence” (New Jersey Department of Education, n.d., p. 1). The document neither specified what constituted “proof of proper liquidation of goods,” the value threshold for disposition procedures nor indicated that there are distinct procedures for disposing of federally funded assets. Similarly, the Maryland SEA’s document instructed schools to, “properly liquidate goods acquired through federal and state grants” (Maryland State Department of Education, 2009, p. 10). However, the document did not describe how the liquidation process differs based on grant source or even identify resources that could provide further information.

Unlike the Maryland SEA’s document, the documents of the Massachusetts SEA, Georgia SEA and the Texas SEA did not allude to distinct processes for the disposal of items purchased with federal funds and items purchased with non-federal funds. Instead, the documents described or referenced a singular asset disposition requirement. The Massachusetts SEA’s document instructed schools to, “submit a plan for the disposition of all assets owned by the charter school, including plans to give first priority for equipment and supplies to other public schools and then to non-profit organizations” (Massachusetts Department of Elementary and Secondary Education, 2012, p. 4).

The Georgia SEA’s document included instructions on asset disposition that were even less descriptive. The document’s section on “Property inventory and distribution” instructed
schools to reach out to their authorizer to, “establish a process for property inventory” and to, “develop a plan for the distribution of encumbered and unencumbered assets” (Georgia Department of Education, n.d., p. 7). The document made no reference to the regulated processed for the inventory and distribution of federally funded property.

The Texas SEA’s document included a detailed description of the asset disposition process. The document described the procedure for SEA personnel to use schools’ “equipment inventory” to “oversee the inventory distribution” to other charter schools (Texas Education Agency, 2013, p. 4). The document further described the procedure for schools to organize their inventory of instructional supplies and materials into lots for distribution to operating charter schools that either request an inventory lot or are randomly selected through a lottery system. Although it articulated a highly detailed asset disposition process, the SEA’s document did not inform schools that their equipment inventory must distinguish federally funded items from non-federally funded items. Nor did the document instruct schools that when preparing their inventory lots for redistribution, they must separate items based on funding source.

The inconsistent articulation of federal grants management requirements in SEAs’ closure documents raised questions. While the majority of SEAs’ closure documents included actions for the management of schools’ federal grants, none of the documents provided a comprehensive roadmap for schools or SEAs to meet the regulatory requirements. Were these documents designed to be all-inclusive representations of the actions that closing charter schools must take with their federal grant funds? Were the SEA staff members involved in the development of these documents knowledgeable of federal grants management requirements?

In addition, if federal grants management was not fully articulated in SEAs’ closure documents, then what actions did SEAs’ give prominence to in the closure process? For the
SEA staff involved in the development of these documents, what actions for closing schools were considered the most critical?

Further analysis of SEAs’ closure documents identified those actions that received prominence in the closure process. Actions for the management of federal grants are included in SEAs closure documents, but less so than organizational and administrative actions that impacted schools’ stakeholders and creditors, and actions that impacted schools’ legal and financial statuses. SEAs’ focus on these areas resulted in federal grants management being a less prominent part of the charter closure process, and supported the rationale for the development of a document that clarifies the action closing charter school must take for their federal Title I grants.

**Closure focus area 1-records management, transfer and storage.** Actions for the management, storage and transfer of students’ records were the most predominant component of SEAs’ closure documents. Each of the 14 closure documents in the sample provided explicit actions that schools must take with student records. Actions included reminding schools of their responsibility for student records, instructing schools on the preparation of student records, informing schools what to include in student records and identifying the entity to whom student records should be transferred.

Clearly, schools are responsible for their students’ records. Still, the SEAs’ closure documents articulated what this responsibility entailed. Some SEAs provided minimal guidance, such as reminding schools of their responsibility to maintain student records and transfer them to students’ districts of residence (Pennsylvania) or cautioning them that they must update student records in preparation for transfer (Texas). Other actions included urging schools to “ensure” that students continue their education and that their records are transferred to the
school in which they enroll (Maryland State Department of Education, 2009, p. 10), and even specifying the contents of student records prepared for transfer to enrolling public school districts.

The DC-PCSBI’s document specified that student records should include the student’s name, demographic data, contact information, cumulative academic record (grades, completed classwork and assessment results), health information, disciplinary reports, if any, and anecdotal information from teacher and other charter school staff (DC PSCB, 2010). Similarly, the New York SEA’s document indicated that students’ records must include grades, assessments results, Individual Education Plans for students with disabilities, immunization records and parent/guardian contact information (New York State Education Department, 2012).

To varying degrees, SEAs’ documents also included actions for transferring and storing students’ records. The New York SEA’s document outlined a process to document district of residences’ receipt of students’ records. The process included a verification requiring three signatures (the releaser of the records, a charter school official, and the recipient of the records at the public school district), which is submitted to the SEA (New York State Education Department, 2012). The DC-PCSBI’s document also provided a template to help schools organize students’ records for transfer. The template specified the naming convention for the labels on individual student folders, the content of the first page in each student’s folder and the manner in which folders must be organized (alphabetically). The document also articulated a process for the transfer of digital records prior to the closing data of the charter school, and how to append information to records that were transferred prior to the close of the school. Not all SEAs’ documents included such specificity in their student records preparation and transfer process, but there are some commonalities (DC PCSB, 2010).
Generally, SEAs’ documents identified students’ public school district of residence as the recipient of the student records. However, some SEAs’ documents identified other recipients, such as the charter authorizer or the SEA as the recipient. The documents of the DC-PCSBS and the Colorado SEA directed schools to transfer students’ records to the authorizers. Further, the Massachusetts SEA’s document did not reference the public school district of residence or the authorizer as the recipient. Rather the document instructed schools to “authorize an individual or entities” (Massachusetts Department of Elementary and Secondary Education, 2012, p. 2) as the recipient with the responsibility of maintaining the records for 10 years.

The degree to which SEAs’ closure processes were circumspect in their actions around student records is further evident in those that referenced federal legislation governing the privacy of student information. Two SEAs’ invoked federal legislation to caution schools about their responsibility for safeguarding student records. Both the DC-PCSBS and Missouri SEA cited the federal Family Education Rights Privacy Act (FERPA) in their documents to warn schools about the requirements to safeguard student privacy when transferring student records (DC PCSB, 2010 and Missouri Department of Elementary and Secondary Education, n.d.).

SEAs with a large charter school presence had the most detailed processes for students’ records. The closure documents of the DC-PCSBS and the New York SEA had the most detailed actions for preparing and transferring student records. In the 2012-2013 school year, 47.1% of public schools in the District of Columbia were charter schools (NAPCS, 2013), while in New York State the number of charter schools in New York City alone expanded by more than 700% under the mayoral administration of Michael Bloomberg (G. Whitehead and S. Whitfield, 2013). Also, both the New York SEA and the OSSE (the SEA with authority over DC-PCSBS) have greater experience handling charter school closures than other SEAs. Since 1996, the District of
Columbia has closed 35 charter schools (DC PCSB, n.d.) and New York State has closed 13 charter schools since the 2005-2006 school year (National Alliance of Public Charter Schools, n.d.). Having processes to account for student records is a requisite in an effective charter school closure process, but a detailed process becomes paramount when dealing with large numbers of students enrolled in charter schools.

**Closure focus area 2-stakeholder communications.** Another major focus area of SEAs’ closure process was stakeholder communications. Nine of the 14 documents in the sample expressed actions for schools to communicate with stakeholders about the pending closure. In most cases, the SEAs’ documents identified unique actions for each stakeholder group (e.g., parents/families, employees, the district of residence, students and others, such as the media, SEA or educational/charter management company that operates the school).

**Parents/Families.** Parents/families were the primary stakeholder group with whom SEAs directed schools to communicate. Of the closure documents with actions for stakeholder communication, 100% were explicit that schools must communicate with parents/families. The actions included the manner in which schools must communicate with parents/families, what such communication must include and when such communication must be issued.

Of the nine documents in the sample that specified communication with parents/families, seven directed schools to issue a notification letter to parents/families. The other two documents just directed schools to notify parents/families. However, the documents varied in their level of detail for the parent notification letter. The Texas SEA’s document gave the general dictate that schools must, “Prepare and send a letter to parents stating that the charter will be closing and telling parents how to obtain student records before the beginning of the . . . school year.” (Texas Education Agency, 2013, p. 2). Other SEAs’ documents prescribed the contents of the
letter. For instance, New York SEA’s document required that the parent/family notification letter include the following information:

- Date of the last day of regular instruction;
- Cancellation of any planned summer school;
- Notification of mandatory enrollment under New York State law;
- Date(s) of any planned school choice fair(s);
- Listing of the contact and enrollment information for charter, parochial, public and private schools in the area;
- Information on obtaining student records pursuant to the New York State Freedom of Information Law before the end of classes; and,
- Contact information for parent/guardian assistance/questions (New York State Education Department, 2012, p.11).

When communicating to parents/families, closing charter schools in California were directed to prepare a notification letter that includes their child’s record. Specifically, schools must provide parents/families with, “A certified packet of student information that may include grade reports, discipline records, immunization records, and any other appropriate information” (California Department of Education, 2009, p. 4). For parents/families of secondary students, the notification must include, “Information on student completion of college entrance requirements for all high school students affected by the closure” (California Department of Education, 2009, p. 4).

The District of Columbia’s closure protocol, while not specifying the contents of the notification letter to parents/families in general, prescribed the contents of the letter to parents of students with students with disabilities. The document stated, “following notification of all
parents of the PCS’ [public charter school] impending closure, a separate letter must be sent to parents of special education students informing them of their due process rights and responsibilities and provide them with a copy of the Notice of Procedural Safeguards” (DC PCSB, 2010, p. 17).

Implicit in SEAs’ charter closure document was that parent/family communication occurs at some point prior to the close of the school. Still, some SEAs’ documents had explicit notification timelines. The Colorado SEA’s document instructed schools to notify parents/families after “key events” (Colorado Department of Education, 2011, p. 7). Initially, schools must notify parents/families one day after the authorizer informed the school of closure. The initial notification must indicate if the school will appeal the decision. If the school does appeal the closure decision, the school must notify parents/families after the appeal is denied and again after the final closure decision is rendered.

The New York SEA’s document provided critical timelines as well. The document did not specify a timeline for the closing charter school’s notification to parents/families, but it did indicate that within one week, the school must plan a “Parent Closure Meeting” to distribute information such as:

- Any written guidance, if available;
- The SEA’s closure policy and decision;
- A calendar of important dates for parents;
- Calendar of school vacation days and date for end of classes;
- A timeline for transitioning students and winding down school operations; and,
- Contact and help line information (New York State Department of Education, 2012, p. 7).
The New York SEA took a comprehensive approach in its requirement for both written notification to parents/families and a parent meeting, but some SEAs’ documents were decidedly less specific. The closure documents of both the Maryland SEA and Georgia SEA instructed schools to communicate with parents/families, but did not prescribe the manner in which to communicate. The Maryland SEA’s document reminded authorizers that they “should carefully consider how the decision to close the charter school is communicated to the school’s students and families” (Maryland State Department of Education, 2009, p. 7). Similarly, the Georgia SEA’s document included the task of notifying parents, with the directive that “information should be widely available and school should take great care to ensure parents are well informed” (Georgia Department of Education, n.d., p. 2).

As with closure processes for handling student records, processes for communicating with parents/families reflected the extent to which the SEAs’ experienced charter school growth, and the extent to which SEAs were involved in the charter authorization process. The 14 SEAs in the sample hosted anywhere from 14 to 1071 charter schools. The five SEAs in the sample with the least amount of charter schools (22-171) had documents with the least number of actions for parent/family notification in the entire sample (13.9%). SEAs with charter school numbers in the middle range (172-321) had the most references to parent/family notification in their closure documents. The two SEAs in the sample with highest numbers of charter schools, California and Texas had the least amount of references to parent/family communication in their documents.

The SEAs in the sample with the largest numbers of charter schools, the Texas SEA with 571 charter schools and the California SEA with 1067 charter schools, each had 19.1 percent of the references to parent/family communication in their respective documents. Both SEAs’ charter school laws permit LEAs, or local educational agencies, more commonly referred to as
“public school districts” to authorize charter schools. Interestingly, both the California SEA and Texas SEA had the largest number of LEAs, 941 and 1031 respectively in the sample (National Center for Education Statistics, n.d.). Yet, SEAs with documents having the most references to parent/family communication had oversight over smaller numbers of LEAs (149-296).

The number of potential charter school authorizers in the California SEA and the Texas SEA results in a similar number of potential administrative units that can work directly with closing charter schools to implement the actions in the SEA’s closure document. Thus, the California SEA had 941 potential charter school authorizers and the Texas SEA had 1031 potential charter school authorizers that could possibly oversee the parent/family notification process for closing charter schools. SEAs with less LEAs as potential authorizers, and those wherein the SEA is the only authorizer, have less potential administrative capacity to oversee the responsibility for closing charter schools to communicate with parents/families. Perhaps administrative capacity dictated the degree to which SEAs referenced parent/family notification as an action for schools. Therein, these SEAs’ documents included greater specificity around the parent/family closure document to compensate for decreased administrative capacity in working with closing charter schools.

**Employees.** Notification to another stakeholder group, employees, also dominated the actions of closing charter schools. Seven of the 14 documents in the sample included employee notification as an action for closing charter schools. As with parent/family notification, some SEAs prescribed the manner of notification (letter or meeting), while some SEAs were less prescriptive. Some documents also dictated what the school should communicate to employees and when, while some documents just informed schools to notify employees of the pending closure.
Of the seven documents in the sample that referenced employee notification, six specified that the notification must provide information on employee benefits, with some providing greater specificity than others. Of the six SEAs’ documents that specified content for the employee notification letter, four required that the letter inform employees of the option to continue health benefits through COBRA (Consolidated Omnibus Budget Reconciliation Act). With the exception of the DC-PCS'B’s document, other SEAs’ documents just reminded school to inform employees of, “possible eligibility for continuation of benefits under COBRA” (Massachusetts Department of Elementary and Secondary Education, 2012, p. 2), or “COBRA information” (New York SEA, page 11; Georgia SEA, page 3).

The DC-PCS'B’s document advised schools to seek legal counsel when communicating with employees about eligibility for continuation of health benefits under COBRA. The DC-PCS'B cautioned schools that, “COBRA law requires continuation of some benefits beyond termination of employment, but COBRA may not apply if an employer goes out of business or drops its employee health insurance altogether because there is no health plan to "continue."

Therefore, the school must notify employees that they may need to secure “private health insurance” (DC PCSB, 2010, p. 11).

Closure documents also directed schools to inform employees of the closure’s impact on pension and unemployment benefits. The DC-PCS'B’s document detailed the content of the notification’s language on pension benefits. In their notification letter to employees, DC’s closing charter schools were instructed to specify the total amount in the employee’s pension plan, as well as the employee’s and employer’s contribution to the total amount. The Maryland SEA’s document gave less specific directions to schools. It instructed that the notification letter
for employees discuss the closure’s impact on benefits, “including pension” (Maryland State Department of Education, 2009, p. 6).

Rather, than specifying pension benefits, some SEAs’ documents (Georgia SEA, New York SEA and Michigan SEA) informed schools to provide employees with a timeline for the continuation and termination of compensation and other benefits. The Massachusetts SEA’s document was unique in its directive for the notification to inform employees of “unemployment benefits.” (p. 2). The document also provided the URL of the Massachusetts Department of Unemployment Assistance as a resource.

The second most common theme in closing charter schools’ notification to their employees was information about employment options. Three of the seven SEAs’ documents in the sample with actions on employee notification instructed schools to include language on assistance with future employment options, but only if such assistance and options existed. None of the SEAs’ documents mandated that schools take actions to secure employment for their employees. The New York SEA’s document indicated that schools may notify employees if the school’s board of trustees is providing “any transition to new employment” and gave job fairs as an example of a transition activity (New York State Department of Education, 2012, p. 11). The Colorado SEA’s document reminded schools to, “describe assistance, if any, that will be provided to faculty and staff to find new positions” (Colorado Department of Education, 2011, p. 7). The Maryland SEA’s document took a similar approach when it prompted schools to develop employee notification letters that address, “What are the options for future employment?” (Maryland State Department of Education, 2009, p. 6).

Closing charter schools are took actions to remind employees of their professional responsibilities. In the face of employment termination, employees of closing charter schools
are cognizant of the pending loss of income and benefits. As such, employees may launch a job search that could detract from their duties at the closing charter schools. Hence, three SEAs in the sample instructed schools to include language in the employee notification letter that referenced employees’ commitment to their current employer.

The Georgia SEA’s document required schools to reference employees’ professional development obligations in the employee notification letter (Georgia Department of Education, n.d.). The New York SEA’s document directed schools to develop employee notification letters that outlined employees, “commitment to positive transition for children into new educational settings” and “commitment to continuing coherent school operations throughout closure transition” (New York State Department of Education, 2012, p. 14). Undoubtedly, this language is an attempt to maintain educational stability amid the pending closure.

The degree to which closing charter schools’ actions centered around notification to the employee stakeholder group may reflect an attempt to establish consistency among multiple authorizer types. The analysis of closure documents yielded seven references to a requisite employee notification process. Of these references, 77.8% were from SEAs with more than one authorizer type. Disseminating a consistent message about how schools should communicate with their employees ensures that employees of a charter school authorized by an independent board receive the same considerations as employees of an LEA-authorized charter school or one authorized by an institution of higher education.

LEA-authorized charter schools remain under the administration of the authorizing LEA and charter schools authorized by an IHE remain under the administration of the IHE. Both authorizer types usually have the capacity of a dedicated human resources unit to address the needs of severed employees. However, charter schools authorized by an independent board
(such as the DC-PCSBO) may lack a dedicated human resources unit to develop a comprehensive communications package for severed employees. Therefore, the closure document becomes the template for closing charter schools’ communication to employees.

**External Stakeholders.** Closure documents’ actions for stakeholder communications also extended to external stakeholders, which are those that are not directly involved in the day to day operations of the school, not enrolled in the school or do not have a family member/child enrolled in the school. Anticipating the indirect impact of a school’s closures on the local community and even the state, six documents in the sample included actions for schools to communicate with external stakeholders.

The primary external entity with which the documents directed schools to communicate was the local public school district or the district of residence. Four of the six documents included the local public school district as one such stakeholder. In most cases, children from closing charter schools are re-enrolled in their resident public school districts. Thus, SEAs’ closure documents prescribed actions for schools to inform local public school districts of the pending closure; possibly to lessen the impact of the re-enrollment of a large number of students at a singular point in time. Again, SEAs’ documents differed in the degree to which they provided details on the notification to the local public school district.

The Georgia SEA’s document took an amiable approach in its directive for schools to notify local public school districts to, “inform the local district that many students may be returning to their zoned schools” (Georgia Department of Education, n.d., p. 3). The document also suggested that schools should help to coordinate the re-enrollment process. Similarly, the California SEA directed schools to inform local public school districts that they may be receiving students from closed charter schools, and urged schools, if possible, to defer closure until the end
of the school year to facilitate the district’s re-enrollment of students. The remaining two SEAs (New York and Michigan) simply instructed schools to notify the local public school district, but did not provide further guidance.

The New York SEA’s document is the only one that included actions for communication with schools’ collective bargaining agent, or labor union. Although more than 90,000 students in New York State currently attend a charter school (National Alliance for Public Charter Schools, 2013) and face the possibility of re-enrollment in their local public school districts, the New York SEA’s document provided little guidance on how closing charter schools should communicate with their students’ districts of residence. Instead, the document provided detailed guidance for schools’ communication with the collective bargaining agent that represents only 17.1% of the teachers in New York’s charter schools.

Much of the language in the New York SEA’s document on communication with employees’ collective bargaining agent pointed to efforts to avoid litigation. The document urged schools to engage legal counsel to explore the “legal implications” of terminating employees’ contract due to closure (New York State Department of Education, 2012, p. 12). The document also cautioned schools that the closure and subsequent termination of employees’ collective bargaining agreement may result in “penalties and damages” (p. 12).

Also unique was the DC-PCS B’s document. The DC-PCSB, which is the only authorizer of charter schools in the District of Columbia, developed the closure protocol for charter schools rather than the SEA (OSSE). As such, the DC-PCSB’s document required that schools communicate with local government agencies as well as the SEA. The document was explicit in the directive that closing schools must, “notify DC government agencies” (DC PCSB, 2010, p. 6) and “provide written notification . . . to OSSE.” (p. 13). Furthermore, the document specified
local government agencies/entities with which the school must communicate: City Council Chair; Ward Representative to the City Council; Department of Health; Department of Mental Health; Department of Transportation; Metropolitan Police Department; Office of the Chief Financial Officer; Statewide Commission on Children, Youth and their Families; DC Commission on the Arts and Humanities.

Clearly, SEAs recognize the far-reaching implications of closing charter schools. They anticipate legal repercussions, and the impact on health, social service and law enforcement agencies in the local community. The external entity that experiences the most immediate and direct impact, the local public school district receives a prominent place in SEAs’ actions for schools to communicate with external stakeholders.

Local public school districts must re-enroll students from closing charter schools. Once charter schools close, their students become the responsibility of the local public school district. At that point, the local public school district, and not the SEA, must deploy resources to re-enroll and integrate former charter school students. Thus, the SEA is not involved in the process of re-integrating former charter school students into their local public school districts.

However, SEAs may become involved in legal issues stemming from the termination of collective bargaining agreements, and contractual issues that arise from the former charter school’s partnerships and contracts with local government agencies and community organizations. Once the charter school dissolves as a business entity, SEAs, as the entity responsible for the provision of public elementary and secondary education, become the conduit through which ensuing legal and contractual issues are entertained. Therefore, having charter closure documents with explicit guidance for schools to communicate with local public school districts, collective bargaining agents and local government agencies can be a mechanism to
reduce the potential of further engagement in legal and contractual affairs ensuring from charter schools’ closure.

**Students.** Another charter school stakeholder group was students. Without students charter schools could not operate. Yet, only three SEAs in the sample had documents that required schools to communicate with students. Of the three, only one document separated students as a unique stakeholder group that merited direct communication about the pending closure.

The Massachusetts SEA’s and Georgia SEA’s documents included students in a group of multiple stakeholders with which schools must communicate. The Massachusetts SEA’s document directed schools to, “provide written notification regarding the impending closure to: students/parents/guardians” (Massachusetts Department of Elementary and Secondary Education, 2012, p. 2). Similarly, the Georgia SEA’s document tasked schools with the responsibility to, “Notify Parents/Students” (Georgia Department of Education, n.d., p. 2). Only the DC-PCSBB’s document provided explicit instructions for how schools should communicate with their largest stakeholder group.

The DC-PCSBB’s document instructed schools to notify students and provided a timeline for issuing the notification. The document also discussed anticipated outcomes of the student notification process. The document did not specify the manner in which schools must notify students of the pending closure, but it directed schools to “notify students” and to do so, “only after their parents have been notified.” Additionally, the DC-PCSBB’s document prepared schools for the aftermath of the notification to students. The document cautioned that, “students will rightfully have questions about what school will be like up until closure and will need time to process their own sense of loss” (DC PCSB, 2010, p. 12).
The DC-PCSBI is the sole charter authorizer for the District of Columbia. It has the sole responsibly for the administrative oversight of closing charter schools in DC. Therefore, in the absence of multiple authorizers to manage the closure process, the DC-PCSBI’s dissemination of explicit directions to closing schools is a proactive measure to disburse responsibility to each closing school rather than one charter authorizer. The DC-PCSBI’s anticipation of the communication needs of its largest stakeholder group affirms that refinement of the closure process can only come through continued experience with closing charter schools.

**Closure focus area 3- vendor/creditor/contractor interactions.** The third major focus area of documents was interactions among schools and vendors/creditors/contractors. Seven of the fourteen documents included requirements for schools to interact with their vendors, creditors and/or contractors. The actions included identifying entities to which the school owes money, terminating contracts, notifying vendors/creditors/contractor of the pending closure, arranging for payment and remitting final payment.

To assist schools, the Colorado SEA’s document gave examples of obligations to creditors versus obligations to contractor and included actions for dealing with debtors. The document identified creditors as, “lenders, mortgage holders, bond holders, equipment suppliers, service providers” (Colorado Department of Education, 2011, p. 11) and contractors as those entities that provide “food and/or transportation services” (p. 10). The document described debtors are “persons who owe the school fees or credits, any lessees or sub-lessees of the school, and any person holding property of the school” (p. 11).

Some documents even offered examples of what constitutes a financial obligation to a vendor/creditor/contractor. The Georgia SEA’s document identified insurance carriers, utility companies, janitorial suppliers and landlords as creditors/vendors/contractors.
SEAs’ documents also reminded schools to terminate contracts and end services with remaining vendors/creditors/contractors. Some documents provided a general directive, while others specified which contracts/services to terminate and when. The New York SEA’s document instructed schools to “cancel or non-renew agreements as appropriate” (New York State Department of Education, 2012, p. 15), but did not specify which agreements. Likewise, the Indiana SEA’s document stated that schools must terminate “all present leases, service agreements, and other contracts” (Indiana Department of Education, n.d., p. 3). Other SEAs provided more guidance in their documents.

The Georgia SEA’s document reminded schools of contracts and agreements that they must terminate. The document specified that schools must inform their insurance carriers of the date to end coverage for staff, vehicles and the facility. The document also instructed schools to inform utility companies of the date to end services, and to cancel contracts for food and janitorial services. The Colorado SEA’s document also offered detailed guidance on contract termination. It stated that schools must, “cancel school district or private food and/or transportation services for summer school and the next school year” (Colorado Department of Education, 2011, p. 10).

SEAs’ closure documents also cautioned schools about the premature termination of contracted and purchased goods and services. The Colorado SEA’s document advised schools to end contracts only after goods and services are no longer needed. The closure documents of both the Georgia SEA and the New York SEA informed schools to maintain utilities long enough to ensure that all closure activities are completed. The New York SEA’s document also instructed schools to maintain insurance coverage for key administrative staff until the closure process is completed.
To facilitate the negotiation of payment to vendors/creditors/contractors, two SEAs’ documents incorporated procedures for handling vendors/creditors/contractors. The New York SEA’s document instructed schools to begin the payment negotiation process by requesting an accounting of payment due from the vendor/creditor/contractor. Schools should then compare their records of payments due to the vendors’ records as a starting point for the negotiation process. The document also directed schools to have contractors remove equipment and goods under contract, such as “copying machines” and “water coolers” and retain copies of all contracts for determining final payment (New York State Department of Education, 2012, p. 13).

The New York SEA’s document also instructed schools on how to deal with debtors. The document advised schools to “demand payment” (p. 14). However, it warned that schools may need to secure the services of a “commercial debt collection agency” (p. 14) if debtors are hesitant to remit payment, and that schools must retain all records relating to the outstanding debt.

The DC-PCSBS’s document advised schools to communicate with vendors about final delivery dates for goods and services, if any goods will be returned to the vendor, and to request a refund of any deposits as part of the negotiation process. The DC-PCSBS’s document informed schools that the negotiation should include a discussion about the vendors terms for payment, and if the vendor will consider forgiving the portion of the debt, and claiming the balance as a donation (DC PCSB, 2010).

When charter schools close without satisfying their financial obligations, vendors/creditors/contractors contact the authorizers for redress. Although, authorizers are not liable for their closed schools’ outstanding debts, they are the entity that receives notices and complaints about overdue payments. Accordingly, the closure documents with the majority of
references to interactions among schools and vendors/creditors/contractors were from SEAs with the most authorizer types.

SEAs with three or more authorizer types contributed more than 60% of the references to vendor/creditor/contractor interactions. SEAs with one authorizer type had 17% of the references, and SEAs with two authorizer types had 27% of the references. Having greater numbers of authorizer types, such as LEAs, IHEs, independent boards and even municipal government, inevitably means disparities in the guidance given to closing schools on how to handle outstanding financial obligations. The job of providing a consistent message to schools on actions they must take with vendors/creditors/contractors becomes the responsibility of the SEA. Therefore, in jurisdictions with multiple authorizer types, SEA have developed more extensive guidance for how their closing charter schools must address outstanding financial obligations.

**Closure area 4-dissolution of corporate entity/process.** Charter schools, like other public elementary and secondary school, enjoy nonprofit status. Thus, when a charter school closes it must take the appropriate actions to legally dissolve its status as a nonprofit organization. As indicated in the Maryland SEA’s closure document, “closing a school not only involves the re-location of students and teachers, but also the dissolution of a business operation” (Maryland State Department of Education, 2009, p. 7). As such, five of the 14 documents in the sample referenced the term “dissolution” or “dissolve” and included actions schools must take as part of this process. The documents covered topics such as the timeline for dissolution, the entities responsible for the dissolution process and legal requirements to which the closing charter school must adhere.
The Colorado SEA’s document ordered schools’ board of trustees to begin the dissolution process through adoption of a resolution, and cited the Colorado statute governing the dissolution of a nonprofit organization (Colorado Department of Education, 2011). The Maryland SEA’s document did not cite state statute. However, it did advise schools that as part of the dissolution process authorizers should have knowledge of, “law to ensure the dissolution of the school as a corporation follows appropriate statutes. . ” (Maryland State Department of Education, 2009, p. 7). The Indiana SEA’s document also demonstrated the seriousness of the dissolution process. The document directed schools to the web site of Indiana’s Secretary of State to access a dissolution form, which schools must complete and submit to the Secretary of State’s Office (Indiana Department of Education, n.d.). The DC-PCSBB’s closure document presented the most comprehensive overview and action steps for the process to dissolve closing charter schools.

Like the Colorado SEA’s document, the DC-PSCB’s document provided the statutory citation governing the dissolution process (DC Code § 29-301.51), and like the Indiana SEA’s document, the DC-PCSBB’s document included the link to the necessary paperwork (Articles of Dissolution for a Nonprofit Organization) that schools must complete to officially dissolve the business entity. Further, the DC-PCSBB’s document spelled out the statutory requirement for dissolution. It indicated:

Revocation or relinquishment of the charter requires that the PCS Corporation be dissolved sometime after the Revocation/Relinquishment Date. The District of Columbia Code § 38-1802.13a, states:

A nonprofit corporation operating a charter school shall dissolve if the charter for the school:

(1) Has been revoked by the authorizing entity;
(2) Has not been renewed by the authorizing entity; or

(3) Has been voluntarily relinquished by the charter school (DC PCSB, 2010, p. 33).

To further clarify the dissolution process, the DC-PCSBS document included other government agencies with which schools must interact as part of the dissolution process. The document instructed schools to surrender their “Business License for Corporation” (p. 34) and any registered trade names to the DC’s Office of Consumer and Regulatory Affairs. Additionally, the document directed schools to file the necessary paperwork with the Internal Revenue Service, and specified the forms for completion: 990 tax return and a Schedule N-Liquidation, Termination, Dissolution, or Significant Disposition of Assets. The document even instructed schools to include a certified copy of their Articles of Dissolution with the submission of their IRS paperwork.

The comprehensive overview of the dissolution process in the DC-PCSBS’s closure document was indicative of the SEAs in the sample with the smallest number of authorizers. The five SEA closure documents that referenced the dissolution process were from SEAs with 1-314 different charter authorizers. The majority of the references to dissolution came from the three SEAs with the smallest number of authorizers: the DC-PSCB (one authorizer), the Maryland SEA (four authors) and the Indiana SEA (eight authorizers).

The analysis identified sixteen references to the dissolution process in the five documents. The DC-PCSBS’s document accounted for eight of the sixteen references to dissolution, the Indiana SEA’s document contributed four of the references and the Maryland SEA’s document provided two references. Conversely, the remaining two SEAs, Colorado and California, with references to the dissolution process have a larger number of authorizers (47 and
314, respectively). Each SEA’s document contained just one reference to the dissolution process.

State laws govern the process to dissolve a nonprofit entity. Thus, the process is an objective one that should be reflected in SEAs’ closure documents, as all closing charter schools must follow the process. However, SEAs with larger numbers of authorizers and greater numbers of charter schools neglected to detail this process in their closure documents. Again, those SEAs with greater numbers of authorizers have more administrative units to work with schools on the dissolution process. Rather than providing explicit details on the process for closing charter schools to dissolve their corporate entity, these SEAs may defer to schools’ authorizers to assist their closing schools.

**Closure area 5-financial processes for non-federal funds.** The closure documents of the majority of SEAs in the sample included actions that schools must take related to non-federal funds. The most common action, included in the documents of ten SEAs, was for schools to arrange for an independent audit of their funds. Another prominent financial action for schools was the preparation and submission of financial reports.

**Financial Audit.** The timelines that SEA closure documents provided for the financial audit of closing charter schools varied from exact dates to suggested timeframes. The Missouri SEA’s document, which is a part of its Code of State Regulations, mandated that schools submit their final audit “before December 31 of the year of closing year” (Missouri Department of Elementary and Secondary Education, n.d., p. 1). The timeline in the New Jersey SEA’s document was also prescribed in statute. The New Jersey Charter School Act of 1995 required that schools submit their financial audit no later than December 5 of the subsequent fiscal year. The New Jersey SEA’s document clarified that for closing charter schools the due date for
submission of the financial audit is “prior to the dissolution of the board, but no later than December 5” (New Jersey Department of Education, n.d., p. 2). Colorado’s Charter Schools Act mandated that closing charter schools complete a financial audit, but gave more discretion with the deadline. Here, closing charter schools were ordered to submit their audit “by a date to be determined by the authorizer” (Colorado State Department of Education, 2011, p. 11).

The Massachusetts SEA’s document and the New York SEA’s documents gave schools a window of time in which they must arrange for or complete their audit. Closing charter schools in New York were given a window of 120 days from the last date of instruction to complete their financial audit. The Massachusetts SEA’s document specified that within 60 days of the closure decision, schools must engage an auditor to perform a financial audit (Massachusetts Department of Elementary and Secondary Education, 2012), while the California SEA’s document gave schools six months from the date of closure to complete their financial audits (California Department of Education, 2009).

**Financial Accountability Processes.** SEAs’ closure documents also specified action steps that schools must take in addition to the financial audit as a means to ensure fiscal accountability. Seven closure documents directed schools to assess their schools’ financial stability, prepare and submit financial reports and identify the needed financial resources to continue operating the school until the dissolution process is final.

Several SEAs directed schools to identify their fiscal assets and liabilities as the initial step in the financial accountability process. The Maryland SEA’s document instructed schools to, “identify current assets and liabilities as well as projected revenues and expenditures” (Maryland State Department of Education, 2009, p. 9). The California SEA’s document required schools to prepare a financial statement that reflected the schools’ assets, amount due to creditors
and amount due from debtors. The DC-PCSB’s document required more detailed reporting. Schools’ financial report had to illustrate the principal and interest due creditors and the principal and interest due from their debtors.

SEAs’ documents also required that schools project their revenue needs from the time of the closure notification through the dissolution process. The New York SEA’s document mandated that schools submit monthly financial reports, beginning the month prior to the closure decision through the dissolution process. The reports had to include, “A comprehensive month-to-month cash flow statement to operate the school through the closure” (New York State Department of Education, 2012, p. 10). Schools’ cash flow statements had to project payroll expenses, including salaries, benefits (including payment for unused leave), expenses for the transportation and storage of student records, expenses for schools’ final fiscal audit and expenses needed to satisfy contractual liabilities such as leases.

The New Jersey SEA’s closure document, although not as detailed as that of the New York SEA, also required schools to submit financial statements. The document did not specify the frequency with which schools must submit their reports, but it did include financial obligations, such as rent, utilities and insurance, that schools had to consider in their financial projections. The DC-PSCB’s closure process required that schools submit cash flow statements as well. In addition to reflecting projected expenditures and revenue, the cash flow statement of DC’s closing schools had to include, “plans for cancellation of non-essential services prior to last day of operations, cost of shutting down the organization, and future plans for payment of outstanding debt” (DC PSCB, 2010, p. 30).

This initial step of identifying assets and liabilities and developing cash flow statements seems to be an effort to determine if schools have any funds that must be returned to the SEA or
if schools need additional non-federal funds to continue operating through the dissolution process. Some SEAs’ documents addressed the processes for returning unobligated funds to the SEA and seeking additional operating funds from the SEA. The Michigan SEA’s document instructed schools to “Submit a check . . . for any remaining funds after the settling of final accounts and the disposition of all assets” (Michigan Department of Education, 2005, p. 3).

Conversely, the Missouri SEA’s regulated charter closure process included a stipulation for schools to secure additional non-federal funds to complete the dissolution process, if schools do, “not have sufficient funds to close out the year” (Missouri Department of Elementary and Secondary Education, n.d., p. 2).

In their closure documents, SEAs also included common sense action steps to ensure financial accountability. The Colorado SEA’s process advised schools to, “collect and void all unused checks and destroy all credit and debit cards. Close accounts after transactions have cleared” (Colorado Department of Education, 2011, p. 11). The New York SEA’s document directed schools to identify any available reserve cash and to delineate the uses of for such funds (New York State Department of Education, 2012). The DC-PCSBJ’s closure process required that schools address common sense actions in their financial report. The report had to include schools’, “plans for cancellation of corporate credit cards and lines of credit” and a “schedule for liquidation or closing of bank accounts” as well as, any changes anticipated in authorized signatures on accounts” necessary to complete the dissolution process (DC PCSB, 2010, p. 30).

By including common sense actions in closure documents to protect schools’ available funds against misuse and abuse, SEAs acknowledged the reality of schools’ inappropriately using financial resources. The realities of these improprieties were further confirmed in the data collected from interviews with SEA personnel.
Data Analysis and Findings-Interviews With SEA Personnel

Data collected from interviews with three staff from SEAs that have experienced charter school closure supplied further comment to the data collected from the analysis of the SEAs’ charter closure documents. Each of the interviewees was directly involved in their respective SEAs’ closure of charter schools. The interview subjects offered insight into the strengths and weaknesses of their SEAs’ charter closure process and informal measures that were taken to protect Title I funds, and federal education grant funds in general, during the closure process. Additionally SEA personnel articulated logistical issues that arise during the closure process that impacted closing charter schools’ ability to adhere to the SEAs’ prescribed closure process.

Organizational Realities. Each of the interviewees articulated their SEA’s experience with closing charter schools wherein schools’ administrative staff, or the schools’ management company lacks the capacity to complete the closure process. In each case, the interview subjects described how their SEA assumed a hands-on role in the closure process, which included actually completing some of the tasks assigned to the authorizer and staff of the closing schools. This reality was not fully articulated in any of the charter closure documents.

Two of the interviewees explained how their SEA was forced to manage the stakeholder communication process to ensure that stakeholders remained fully informed throughout the closure process. For instance, staff from an SEA in the Southern Atlantic region met with families and community members after a schools’ Board of Trustees failed in this duty. The interview subject actually went to the school and met with families and staff to, “communicate just what was happening” because the SEA realized that stakeholders had been, “left in the dark” (K. Campbell, personal communication, October 23, 2013). The interview subject also had the responsibility of working with the Board to ensure completion of the SEA’s charter closure
process, while the interviewee’s colleagues in the SEA’s financial offices, “went in there to make sure the financial records were in order” and other SEA staff, “went in and did, kind of the rolling up the sleeves to look at student records to . . . make sure that . . . students who were displaced went to the right schools” (K. Campbell, personal communication, October 23, 2013).

SEA personnel involved with the charter school closure process illuminated the complexities of handling student records during the charter school closure process, and cited examples of challenges their SEA faced with holding schools accountable for student records. Rather than leave the closing charter school with the responsibility of overseeing the preparation and transfer of student records, one interviewee’s SEA assumed responsibilities for this task. The interviewee indicated that, “we had staff who went in . . . to look at student records, . . . and make sure that . . . students who were displaced went to the right schools” (K. Campbell, personal communication, October 23, 2013).

SEA personnel discussed the impact of schools not properly handling the transfer of student records. One interview subject from an SEA in the Mountain region shared an experience wherein a charter school closed, but failed to prepare and transfer records for any students that exited the school prior to the date of closure. The subject explained that if students, “left before June 28th, they didn’t give us those records” (K. Campbell, personal communication, September 9, 2013). The SEA then had to communicate with families searching for their children’s records, and explain that the school failed to transfer records of students who exited the school prior to the closure date. Consequently, this interview subject admitted that, “it’s been a challenge in terms of . . . who has those records? How do we get them?” (K. Campbell, personal communication, September 9, 2013).
Staff from an SEA in the West North Central region also assumed a critical role in the process of closing one of its schools. The SEA was forced to take a prominent role in the closure process when the closing charter school’s management company “walked away” (K. Campbell, personal communication, September 11, 2013). As a result the SEA assumed responsibility for the stakeholder communication process. The interviewee conveyed that the SEA, “took out ads in the newspapers, . . . telling the community and we had spots on television, and we sent letters to all the parents that their schools were closing and here were other opportunities of where they could transfer.” For this interviewee’s SEA, the stakeholder communication process was “full court effort” which resulted in the SEA expending “$250,000 dollars” (K. Campbell, personal communication, September 11, 2013).

Fiscal Realities. The charter school closure process also presented fiscal realities for SEAs. The SEA that spent a quarter of a million dollars on stakeholder communications was not unique. Other SEAs have also had to search their budgets for funds to ensure that closing charter schools execute their duties. The SEA in the Southern Atlantic region actually had to dig into its pockets to cover gaps in the budget of one of its closing charter schools. The interviewee from this SEA explained how, upon reviewing the school’s budgeted expenditures and actual expenditures, the SEA determined that the school did not have enough funds to pay teachers’ salaries and benefits. In essence, the school, “did not have enough money to complete the school year” (K. Campbell, personal communication, October 23, 2013). As a result the SEA diverted, what the interviewee described as a “significant’ amount of funds from other initiatives to pay for teachers salaries to avoid a mid-year closure, which would have been highly disruptive for students and their families.
The interview subjects confirmed the fiscal realities presented in the Missouri SEA’s charter closure document. The SEA’s document included a section titled, “Fiscal Note-Public Cost, which provides a detailed summary of the “estimated cost of compliance” for authorizers that must close a charter schools. The document described the SEA’s fiscal liability of “$100,000 per school when it assumed responsibility for closing three charter schools. The document attributed the cost to “staff time, moving/storage of equipment/materials supplies, notification of parents and community, and transfer of student records” (Missouri Department of Elementary and Secondary Education, 2010, p. 4).

While two of the interview subjects were able to quantify their SEA’s fiscal contribution to the charter school closure process, the Missouri SEA’s document was the only one that informed authorizers of the fiscal realities inherent in closing charter schools.

**Federal Grants Management Realities.** The interviewees were also asked about their SEA’s actions for the accountability of Title I funds in the closure process. Specifically, the subjects were asked about the disbursement of Title I funds to closing charter schools and the SEAs’ processes to identify and dispose of assets purchased with federal funds. Each of the interview subjects provided insight on their SEAs’ experience with implementing such processes.

Two interviewees’ SEAs moved to a reimbursement basis for disbursing funds to closing charter schools. Federal grants management regulations (CFR §80.12, Special grant or subgrant conditions for “high-risk grantees”) allow SEAs to require that subgrantees’ provide documentation of allowable expenditures before the SEA will disburse federal funds to cover the documented expenditures. The conditions are implemented when an entity “has a history of unsatisfactory performance, is not financially stable, or has a management system which does
not meet the management standards set forth.” Thus, these two interviewees’ SEAs perceived closing charter schools as “high-risk grantees” and took appropriate actions to account for federal funds awarded to the schools.

The interviewee from the SEA in the Mountain region described the SEA’s reimbursement procedure. The interviewee indicated that, “for Title I, and most of the other federal dollars, what we have started doing . . . we now require when they want to reimbursement they have to send in any receipts for anything that they’re purchasing, any invoices, documents” (K. Campbell, personal communication, September 19, 2013). This practice proved successful in avoiding the improper use of federal Title I funds.

One of the SEA’s closing charter schools submitted a receipt for reimbursement of funds for a “big pizza party” (K. Campbell, personal communication, September 19, 2013). The school attempted to justify the expenditure as an activity to “celebrate the schools’ success.” However, guidance issued by the Office of Management and Budget (OMB Circular A-87) prohibits the use of federal grant funds for, “costs of entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities).” Consistent with federal guidance, the interviewee’s SEA denied the reimbursement of Title I funds for the pizza party. The interviewee praised the SEA’s reimbursement procedure as, “something that has, I think overall, really helped make sure that it’s being used for what they’re supposed to be using it for” (K. Campbell, personal communication, September 19, 2013).

The interviewee from the SEA in the West North Central region discussed similar actions to account for federal grant funds awarded to closing charter schools. This interviewee’s SEA required schools to “show us that they’ve purchased something and paid for it with their funds . .
. then they can draw down their federal payments.” In essence, the interviewee stated, “What we do is we put them on a reimbursement basis” (K. Campbell, personal communication, September 11, 2013). The success of the SEAs’ informal charter closure actions prompted the SEA to develop formal regulations for authorizers to follow with their closing charter schools. The regulations, although still in the “legal rulemaking process” will guide closing charters actions around not just properly expending federal funds, but also disposing of federally funded assets (K. Campbell, personal communication, September 11, 2013).

Another aspect of federal grants management on which the interviewees’ provided insight is the disposition of federally funded assets. Each of the interviewees’ SEAs had distinct procedures for this component of the closing process, which included the SEAs’ active participation. The interviewees’ elaborated on their SEAs’ processes for closing schools to identify and inventory federally funded assets.

For the SEA in the Mountain region, asset disposition involved SEA staff comparing their records of the schools’ federally funded assets with the schools’ inventory of federally funded assets. As the interviewee explained, the SEA communicated to schools, “Alright, according to our record these are all of the things that you’ve purchased with the federal dollars. So, we are going to be expecting to see these things. We’ll come and we’ll do an inventory and you need to let us know where they are going to be stored or how you are going to store them.” The SEA then compared the stored items to the inventory list of items (K. Campbell, personal communication, September 19, 2013).

Staff in the SEA in the West North Central region also played an active role in the asset identification and inventory process. As the interviewee from this SEA described, “we asked the classroom teachers to pile their books in the rooms, and then our staff went in and we did
inventory . . . looked at the school principal’s administration’s inventories, and we checked against their records of things that they had paid for with federal funds.” SEA staff, “actually went in and boxed up things and unhooked computers” (K. Campbell, personal communication, September 11, 2013). Staff from the SEA in the Southern Atlantic region did not play as active a role in the asset disposition process, but the SEA did ensure that closing schools had an updated inventory of federally funded assets.

SEAs also oversaw the redistribution of closing charter schools’ federally funded assets. According to the interview subject from the SEA in the Mountain region, the SEA interpreted the federal regulations on asset distribution to indicate that for a LEA-authorized closing charter school, federally funded assets must be returned to the public school district or to another charter school “that has that same program.” The interviewee’s SEA actually hired an entity to oversee the redistribution process to ensure that, “material supplies followed with the students.” The SEA’s contracted help oversaw the asset identification and redistribution process and was responsible for determining, “how the equipment should be divided, and how the resources could follow students that it needed to follow” (K. Campbell, personal communication, September 19, 2013). As part of this determination the contracted help was charged with identifying the federal funding source (Title I, IDEA, Carl D. Perkins grant) and making sure that assets were redistributed to schools that had the same grant program.

The SEA in the Southern Atlantic region was not as prescriptive in its asset disposition process. The interviewee from this SEA admitted, “we don’t necessarily call out Title I as much as we look at, um, all federal funds.” But, the SEA did instruct schools that, “equipment purchased with federal dollars couldn’t be sold” (K. Campbell, personal communication, October 23, 2013).
Each of the interview subjects confirmed that without SEA intervention in the charter school closure process, schools’ federal and non-federal funds are vulnerable to misuse. Each subject explained how left to their own devices, closing charter schools were unable to complete logistical tasks. Further, the subjects explained how their SEAs were forced to invoke components of the regulatory requirements for high-risk grantees to ensure that closing charter schools used their federal funds in a manner consistent with the intents and purposes of the authorizing legislation. The subjects also described how their SEAs acted to safeguard assets purchased with federal funds and oversaw the redistribution of assets to benefit Title I programs in local public school districts and operating charter schools.

Fortunately, the SEAs’ interview subjects took proactive steps that resulted in closing charter schools being held accountable for their federal and non-federal funds. Two of the SEAs went beyond the written guidance in their closure documents to implement heightened accountability measures for Title I funds. In the absence of a written closure document, the third SEA developed mechanisms to hold closing charter schools accountable for adhering to the regulatory requirements for assets purchased with Title I funds. The actions of these SEAs form the basis for recommendations for a framework that SEAs can implement to increase accountability for Title I funds in the charter closure process.
Chapter 4-Recommendations

SEAs’ charter school closure processes did incorporate actions to hold schools accountable for the use of federal funds, including Title I. However, none of the documents included distinct requirements for the management of closing charter schools’ Title I grant. Among federal entitlement grants awarded to public school districts and charter schools, Title I is uniquely vulnerable in the closure process. Title I funds, unlike federal entitlement grant funds for English language learners and students with disabilities, can be used to benefit the entire school. Therefore, closing charter schools may attempt to use available Title I funds for non-educationally related expenditures such as legal fees and payment to vendors for non-education expenditures such as utilities, rent and/or mortgage, which do not meet the intents and purposes of the authorizing legislation.

To ensure that closing charter schools do not misuse their available Title I funds, SEAs must deploy their Title I staff to develop closure documents that distinguish the federal Title I grant as a unique component of the closure process. SEAs’ closure documents should include processes for the accountability of schools’ Title I funds, such as amended reporting timelines, asset disposition requirements, recordkeeping and access to the regulatory authority governing the closure actions related to the schools’ Title I grant. Also, closure documents should incorporate a hands-on role for SEAs’ Title I staff.

Closure Protocol Development

SEAs’ federal programs staff must be at the table when SEAs’ develop their charter school closure document. SEA staff that work in offices charged with implementation of the SEA’s federal Title I grant are uniquely qualified to articulate the federal grants management requirements in the EDGAR. The data suggests that SEAs’ charter closure documents were

...
developed primarily by staff in SEAs’ office with direct oversight of charter schools; not staff in SEAs’ federal programs office. The result was closure protocols that did not accurately reflect the regulatory requirements to which closing charter schools must adhere.

Because federal regulations (34 CFR 80.40) mandate that SEAs monitor subgrantees’ activities, personnel in SEAs’ federal programs offices are familiar with the regulations and guidance that subgrantees must follow. The regulations indicate that, grantees (SEAs’) must monitor their subgrantees to “assure compliance with applicable Federal requirements.” To effectively perform the monitoring function, SEA federal programs staff must be familiar with federal regulations for monitoring that span from requirements for the use, maintenance and disposition of grant funded equipment and supplies, retention length for federal records and grant closeout requirements.

SEAs’ federal programs staff are uniquely qualified to contribute their knowledge of the EDGAR’s grants management requirements to SEAs’ closure document. Specifically, federal programs staff have knowledge of federal reporting requirements for closing out grants, conditions under SEAs’ may amend timelines for reporting requirements, the parameters for disallowance of grant expenditures, and the process to recover federal funds expended for such items. Knowledge of grant closeout requirements is extremely valuable when dealing with fiscally unstable subgrantees, such as closing charter schools. SEA staff that are able to identify unallowable grant expenditures and the necessary actions that an SEA can take to account for grant funds used for such expenditures is valuable in the charter school closure process. The most valuable asset that SEAs’ Title I staff can contribute to the development of SEAs’ closure documents is their knowledge of the federal authorities governing the management of Title I funds.
Understanding the more complex requirements of managing Title I funds presents a challenge for many long established, traditional public school districts, and even more so for charter schools that may have been in existence for less than five years. For closing charter schools that have exhibited difficulty managing less restrictive state aid funds, SEAs’ closure documents should specify the authority governing action steps related to the management of federal grants and even summarize regulatory requirements to facilitate schools’ understanding.

Including regulatory citations on charter school closure documents reinforces schools’ legal responsibility when accepting federal education grants and, hopefully, serves as an enforcement tactic. But, closure documents must go beyond just providing regulatory citations. They must include a mechanism for closing charter schools to access the regulations, which can be done by including the hyperlink to the regulations or appending the regulations to the actual closure document, and even plain language translations for some of the more complex regulatory requirements. This is where the expertise of SEAs’ Title I staff is invaluable.

As the SEA staff charged with monitoring subgrantees’ implementation of the Title I program and fiscal requirements, SEAs’ Title I staff are well versed in communicating the regulatory requirements to public school districts and charter schools. SEAs should charge their Title I staff with not only identifying the regulatory requirements for inclusion in the closure documents, but also summarizing the requirements to facilitate the understanding of document users.

**Closure Protocol Implementation and Elements**

As the recipient of Title I funds from the federal government, SEAs are ultimately accountable for the use of funds awarded to subgrantees. SEAs are responsible for returning
grant funds to the ED if closing charter schools cannot properly account for their Title I funds. So, SEA must both oversee and participate in the charter closure process. As the interview subjects attested, it is not enough for SEAs to develop a charter school closure document and distribute it to closing schools. SEA staff must play a hands-on role throughout the charter school closure process.

**High-Risk Status.** SEAs can initiate their hands-on involvement in the charter school closure process by invoking the regulatory protections for subgrantees that exhibit a history of poor fiscal management. As the literature attests, the majority of closing charter schools has a history of poor fiscal management, which results in them meeting the regulatory definition of a “high-risk” subgrantee. For high-risk grantees, SEAs have the regulatory authority to impose “special conditions or restrictions” to increase accountability for Title I funds, such as “payment on a reimbursement basis, requiring the . . . subgrantee to obtain technical or management assistance, additional project monitoring, and establishing prior approvals.” (34 CFR §80.12).

SEAs can provide management assistance and additional project monitoring by hosting regularly scheduled status update meeting with representatives from closing charter schools. As soon as authorizers notify schools of revocation or non-renewal, SEA staff should contact schools’ administrative staff to schedule monthly or bi-monthly meetings. SEAs should assign their Title I staff to meet with schools’ administrators to assess the status of schools’ Title I funds.

Closing charter schools will have legitimate Title I expenditures from the time of the closure notification until their last day of instruction. Charter schools that use their Title I funds for salaries will need access to their Title I funds. However, closing charter schools should not
have a need to use Title I funds for equipment, materials and supplies in their last months of operation. Thus, SEA staff should work with school officials to determine future Title I encumbrances for salaries and benefits, and identify any planned encumbrances for non-salary expenditures (e.g., materials, supplies, equipment). As part of the accountability process, SEAs should disallow future encumbrances for non-salary expenditures, which are not necessary to ensure educational continuity. As part of the accountability process, SEAs should disallow future expenditures for such non-salary items.

By declaring fiscally unstable closing charter schools high-risk grantees SEAs can remit Title I funds to schools on a reimbursement basis. Schools would have to submit documentation to substantiate that requested reimbursements are for those expenditures that SEAs have deemed allowable, i.e., salaries and benefits. SEAs would not reimburse schools for unnecessary non-salary expenditures; thereby, decreasing the likelihood that closing charter schools misuse their available Title I funds.

**Reporting Timelines.** Ideally, grant recipients have 90 days from the termination of their grant to submit closeout reports. The EDGAR specifies that “Within 90 days after the expiration or termination of the grant, the grantee must submit all financial, performance, and other reports required as a condition of the grant” (34 CFR §80.50). This timeline becomes abbreviated for closing charter schools that may cease operations before the end of the grant’s project period.

SEAs submit their financial and performance reports to the ED during the subsequent fiscal year, which is well after schools identified for closure cease to operate. For instance, the New Jersey SEA’s Title I project period is July 1 to June 30. Thus, Title I recipients have until
September 30 to submit required grant reports. However, closing charter schools cease operations on June 30, which is the end of the fiscal year. Therefore, SEAs’ closure documents should not only articulate the requirement for the submission of financial and performance reports, but also include clearly established timelines for submission of financial and program reports that pre-date schools’ last day of operations.

To effectively implement the shortened timeline for the submission of program and fiscal reports, SEAs’ closure documents should require schools designated as high-risk grantees to submit “additional, more detailed financial reports” (34 CFR §80.12). By requiring closing charter schools to submit interim reports, SEAs can mitigate the receipt of inaccurate and incomplete final performance and fiscal reports from schools. For instance, if closing schools submit interim fiscal and performance reports within 30 days of their closure notification, and monthly thereafter, SEA staff have an opportunity to review the reports and work with school staff to clarify any fiscal and performance concerns reflected in the reports.

More frequent financial reporting would allow SEAs to rectify any fiscal issues in a timely manner. Additionally, more frequent financial reporting would facilitate the grant closeout process. SEAs’ would experience a shorter turnaround time for the review and approval of closing charter schools’ final expenditure reports, as they have been reviewing interim reports and working with schools to address issues in prior expenditure reports.

SEAs’ closure documents would still require submission of final fiscal and performance reports on the last day of schools’ operations, but the final submission would more accurately reflect schools’ actual use of Title I funds and the how the funds were used to address the needs of students. The receipt of more accurate fiscal and performance data from closing charter
schools’ decreases the inaccuracy of SEAs’ data in their annual fiscal and performance reports submitted to the ED.

**Asset Disposition.** SEAs’ provision of technical or management assistance to high-risk grantees should extend to closing requirements for the disposition of Title I funded assets. In their closing documents, SEAs should include procedures for asset disposition, the regulatory citation, a hyperlink to the citation, and clarification of the requirements. For example, the regulations state,

> “Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property” (34 CFR §80.32: Equipment).

Effective closure documents should also provide a clear language version of the regulatory requirement for asset disposition to facilitate schools’ understanding. Documents should indicate the following: The school must identify any equipment (items with a purchase price over $5,000) purchased with Title I funds. Additionally, SEAs’ closure documents should provide a template for the inventory of Title I funded equipment. The inclusion of an inventory template (see Appendix A) would decrease the likelihood of schools’ submitting incomplete equipment inventories that do not include the mandated components such as serial number and location.
SEAs closure documents should also include explicit directions on the regulatory requirement for the disposition of Title I funded materials and supplies. Documents should include the regulatory citation governing supplies and equipment (34 CFR §80.33) which states,

(a) **Title.** Title to supplies acquired under a grant or subgrant will vest, upon acquisition, in the grantee or subgrantee respectively.

(b) **Disposition.** If there is a residual inventory of unused supplies exceeding $5,000 in total aggregate fair market value upon termination or completion of the award, and if the supplies are not needed for any other federally sponsored programs or projects, the grantee or subgrantee shall compensate the awarding agency for its share.

SEA closure documents should provide a user-friendly explanation of this regulatory requirement. Herein, SEA documents must include clear guidance to closing charter schools by defining what constitutes supplies and materials (e.g., instructional and non-instructional tangible items used to implement the Title I program. Supplies and materials would include textbooks, workbooks, paper, writing instruments, mobile and stationery computing devices and peripherals costing less than $5,000 per unit). Following the identification of Title I funded supplies and materials, SEA closure documents should instruct schools to begin storing items that will not be needed during the remainder of the instructional process. The separation of these items would facilitate the transfer of assets to public school districts and operating charter schools that have Title I programs.

To fully ensure that schools meet the regulatory requirements for disposition of Title I funded assets, SEAs will have to play a hands-on role. Charter closure documents should
specify timelines for schools to submit their equipment inventories and supplies/materials lists to the SEA for redistribution to other Title I funded projects. As the interview subject from an SEA in the West described, SEA staff members were deployed to oversee the asset disposition process. This is one such regulatory requirement over which SEA staff should provide direct oversight to ensure that schools’ staff do not appropriate Title I funded equipment, materials and supplies, and that items are redistributed to other Title I funded public schools or operating charter schools to benefit their students.

**Recordkeeping.** Federal regulations (34 CFR §80.42) require that Title I subgrantees retain grant-related records for three years from the submission of subgrantees’ final expenditure reports. This means that if charter schools are closing on June 30, 2014, they would submit their Title I final expenditure reports on June 29, 2014, and they must retain grant-related records until June 29, 2017. The schools must retain records such as cancelled checks, time and attendance reports for grant funded staff, purchase orders, invoices and contracts. This requirement presents a challenge as the schools in question will not exist beyond the grant project period.

SEAs’ closure documents should specify the Title I grant records that schools must maintain. In addition, SEAs’ should work with work schools to secure the records prior to schools’ actual closing date. SEAs can use their Title I staff to work with closing charter schools to identify, secure and retain grant records. As part of their technical or management assistance to closing charter schools, SEAs’ Title I staff should schedule a visit to their closing charter schools to meet with officials, and identify relevant grant records. The meeting would provide an opportunity for Title I staff to ascertain if officials have grant records, the accuracy of
schools’ grant records and corrective actions that schools should take to address their failure to maintain accurate grant records.

Conducting an onsite review of closing charter schools’ Title I grant records affords an opportunity for SEA staff to obtain copies of records. Although some SEAs require their closing charter schools to appoint a trustee to maintain schools’ financial records, this requirement is not universal. Therefore, to meet the regulatory requirements for records retention, SEAs should be prepared to store closing charter schools’ Title I grant records in preparation for any “litigation, claim, negotiation, audit, or other action involving the records” (34 CFR §80.42).

If SEAs are not prepared to retain closing charter schools’ Title I grant records, they should contract with a third-party to store the records. Otherwise, SEAs run the risk of audit exceptions due to the inability to provide the necessary documentation to substantiate funds allocated to subgrantees.
Conclusion

As the steward of Title I funds awarded to their states, SEAs are responsible for ensuring that closing charter schools are held accountable for using Title I funds consistent with the regulations. This becomes challenging during the closure process if SEAs use closure documents that do not articulate requirements for managing federal grants as expansively as they articulate the organizational, logistical and legal tasks associated with closing charter schools. Therefore, in their charter school closure process, SEAs must have increased accountability efforts for Title I funds.

Increased accountability measures will enable SEAs to better fulfill their responsibility as stewards of federal funds and mitigate the potential inappropriate use of Title I funds when charter schools close. Also, by strengthening their focus on closing charter schools’ use of Title I funds, SEAs will submit more accurate fiscal and performance reports to ED, and decrease the risk of adverse audit findings. However, this shift in SEAs’ approach to charter school closure will require a more active role for SEAs’ Title I staff.

Determining the effectiveness of the recommendations presented in this study requires that SEAs apply them during the charter closure process. This involves the allocation of resources that have previously not been a dedicated part of SEAs’ charter school closure process. Specifically, the implementation of the recommendations necessitates the commitment of time and personnel from SEAs’ offices charged with the oversight of SEAs’ Title I funds. SEAs can be proactive by allocating these resources during the charter school closure process, or risk having to allocate resources in response to the United States Department of Education’s monitoring findings and independent auditors’ opinions that question SEAs’ efforts to oversee Title I funds awarded to closing charter schools.
Endnotes

1 The Elementary and Secondary Education Act § 9101 defines a State Educational Agency as, “the agency primarily responsible for the State supervision of public elementary schools and secondary schools.”

2 The Federal Funding Accountability and Transparency Act, Public Law 109-82, was enacted, “To require full disclosure of all entities and organizations receiving Federal funds.”

3 The Inspector General Act of 1978 (Public Law 95-452) authorized Inspector Generals as independent entities assigned to federal agencies with the mission “to conduct independent and objective audits, investigations and inspections; prevent and detect waste, fraud and abuse; promote economy, effectiveness and efficiency; review pending legislation and regulation; and keep the agency head and Congress fully and currently informed.”
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Appendix A

Table A1

Inventory of Federal Equipment Inventory

School Name: 
School Address: 
Principal Name: 
Principal’s Phone Number & Email Address:

<table>
<thead>
<tr>
<th>Item Description</th>
<th>Serial Number/Identification Number</th>
<th>Funding Source</th>
<th>Title</th>
<th>Location</th>
<th>Condition</th>
<th>Disposition Status</th>
</tr>
</thead>
</table>
| SmartBoard       | SN 2013-001-032                     | Title I-70%; IDEA-30% | George Washington Charter School | Room 301-Biological Sciences Laboratory | Excellent | May 1, 2013-
|                  |                                     |                 |       |          |           | returned to SEA for use in another grant funded charter school |
### Appendix B

#### Table B1

Title I Closure Protocol for SEAs

<table>
<thead>
<tr>
<th>Time Period</th>
<th>Action</th>
<th>Authority</th>
<th>Entity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upon closure notification</td>
<td>Adjust schools’ Title I grant project period to end the last instructional day for the school.</td>
<td>SEA policy decision</td>
<td></td>
</tr>
<tr>
<td>Upon closure notification</td>
<td>Designate school as a high-risk grantee.</td>
<td>34 CFR 80.12: Special grant or subgrant conditions for “high-risk” grantees.</td>
<td>SEA</td>
</tr>
<tr>
<td>Upon closure notification</td>
<td>Schedule meeting with school officials to be held no later than 15 calendar days after closure notification. Purpose: project monitoring, technical/management assistance • Agenda items: o Amended Project Period</td>
<td>34 CFR 80.12</td>
<td>SEA (Title I Staff)</td>
</tr>
<tr>
<td>Time Period</td>
<td>Action</td>
<td>Authority</td>
<td>Entity</td>
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</tr>
<tr>
<td></td>
<td>o Planned Title I Expenditures/Unencumbered Grant Funds</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>o Title I grant records</td>
<td></td>
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<td></td>
<td>o Equipment Inventory</td>
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<td></td>
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<tr>
<td></td>
<td>o Non-Equipment Assets</td>
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<td></td>
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<td></td>
<td>• Meeting Outcomes:</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>o Interim and Final Expenditure/Program Reports - Submission Dates</td>
<td></td>
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<tr>
<td></td>
<td>o Equipment Inventory/Non-Equipment Assets - Submission Dates</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Asset Disposition:</td>
<td></td>
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<td>• Upon receipt of school’s Equipment Inventory/Non-Equipment Assets List, deploy Title I staff to visit school and review/confirm items.</td>
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<td>34 CFR §80.32: Equipment SEA (Title I Staff)</td>
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<td>• Identify local public school districts and/or operating charter schools with</td>
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<tr>
<td>Time Period</td>
<td>Action</td>
<td>Authority</td>
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<td>Title I projects for redistribution of school’s Title I review school’s inventory of federally funded equipment and supplies</td>
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<td>• Designate a date and location for personnel from local public school districts and/or operating charter schools to pick-up redistributed assets.</td>
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<td>30 days and 60 days after closure notification</td>
<td><strong>Reporting</strong></td>
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<td>• Require submission of schools’ interim fiscal and performance reports.</td>
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<td>30 days after closure notification</td>
<td><strong>Reconciliation:</strong></td>
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<td>• On site review of school’s fiscal records to determine Title I obligations and projected expenditures for the existing grant project period.</td>
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<td>Identify and document “necessary, allocable and reasonable</td>
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<td>Time Period</td>
<td>Action</td>
<td>Authority</td>
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<td>expenditures” for which the SEA will reimburse the closing charter school during the grant project period.</td>
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<td>Expenditures should include salaries, benefits of grant funded staff only. SEAs should not allow schools to encumber funds for equipment, material and supplies upon notification of closure.</td>
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<td></td>
<td>On site visit: Provide template of SEA’s final expenditure report and performance report. Require school personnel to complete reports as a condition of reimbursement of funds.</td>
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<td></td>
<td>Recordkeeping: As part of the onsite visit, review schools’ grants records</td>
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</tbody>
</table>
NOTIFICATION OF IRB ACTION

Date: July 8, 2013
IRB #: CPS13-07-02

Principal Investigator(s):
Sara Ewell
Karen Campbell

Department:
Doctor of Law and Policy
College of Professional Studies

Address:
20 Belvidere
Northeastern University

Title of Project:
Increasing State Education Agencies’ Processes for the Accountability of Title I, Part A Funds in the Charter School Closure Process

Participating Sites:
N/A

DHHS Review Category:
Expedited #6, #7

Informed Consents:
One (1) signed consent form

Monitoring Interval:
12 months

APPROVAL EXPIRATION DATE: JULY 7, 2014

Investigator’s Responsibilities:

1. The informed consent form bearing the IRB approval stamp must be used when recruiting participants into the study.

2. The investigator must notify IRB immediately of unexpected adverse reactions, or new information that may alter our perception of the benefit-risk ratio.

3. Study procedures and files are subject to audit any time.

4. Any modifications of the protocol or the informed consent as the study progresses must be reviewed and approved by this committee prior to being instituted.

5. Continuing Review Approval for the proposal should be requested at least one month prior to the expiration date above.

6. This approval applies to the protection of human subjects only. It does not apply to any other university approvals that may be necessary.

C. Randall Colvin, Ph.D., Chair
Northeastern University Institutional Review Board

Nan C. Regina, Director
Human Subject Research Protection

Northeastern University FWA #4630
Appendix A: Recruitment Email

In addition to serving as the Director of the Office of Title I in the New Jersey Department of Education, I am pursuing a Doctorate in Law and Policy at Northeastern University in Boston, Massachusetts. This is a professional doctorate program that exposes students to the origins and theory of policy, while developing the necessary skills to analyze and research policy in the public sector. As a requirement for the degree, students must complete a thesis project that addresses an issue in the student’s profession/industry, and recommends a policy solution to address the issue. My thesis project is titled, Increasing State Education Agencies’ Processes for the Accountability of Title I, Part A funds in the Charter School Closure Process.

As part of a pilot study for the Program, in April 2013, I sent an email to State Title I Director’s regarding the following:

a. Does your state have formal processes and procedures for charter schools that are closing?

b. If so, do these processes and procedures specify action steps related to the Title I grant?

As a research project for Northeastern University’s Doctorate in Law and Policy Program, I am completing a thesis on the processes and procedures that State Education Agencies use for oversight of Title I, Part A funds in the charter school closure process, and would like to follow up on your responses to the April 2013 email.

(Either A or B)

A. I reviewed (SEA name’s) document(s) called, (e.g., School Closure Procedures) and I would like to follow up on some of the processes and procedures in the document(s).

or

B. Your response to the April 2013 email outlines specific actions that (SEA’s name) takes when a charter school closes.

Would you be available for a 20-30 minute phone conversation between the dates of ________ and ________?

Your participation is entirely voluntary. Your identity and that of your SEA will remain confidential. If you have any questions or concerns, you may contact me by phone at 609-341-3403 or by email at karen.campbell@doe.state.nj.us

Thank you.
Appendix B

UNSIGNED CONSENT DOCUMENT

Northeastern University, Department of: College of Professional Studies, Doctorate in Law and Policy

Name of Investigator(s):
- Principal Investigator: Sara Ewell, Ph.D.
- Student Researcher: Karen Campbell

Title of Project: Increasing State Education Agencies’ Processes for the Accountability of Title I, Part A Funds in the Charter School Closure Process

Request to Participate in Research

We would like to invite you to take part in a research project. The purpose of this research is to develop comprehensive monitoring and oversight processes and procedures that SEAs can use to help closing charter schools account for the appropriate use of Title I funds before the school ceases to operate.

You must be at least 18 years old to be in this research project. [Unless specifically approved otherwise by HSRP]

The study will take place by phone and will take about 20-30 minutes. If you decide to take part in this study, we will ask you discuss your State Education Agency’s processes/procedures to hold closing charter schools accountable for complying with the statutory and regulatory requirements for the use of Title I, Part A funds. The questions I am asking are to seek clarification on the processes and procedure that (either A or B):

A. Are included in (SEA name)’s document called (Document name)

or

B. You referenced in your response to my April 2013 email.

There are no foreseeable risks or discomforts to you for taking part in this study. These questions are seeking clarification on processes and procedures that are a part of your professional practice. However, if you feel uncomfortable answering any of the questions, you may decline to answer the question and/or terminate your participation in the research project.

This research project will not provide any direct benefits for participants. However, the project will ultimately result in an enhanced monitoring protocol that your SEA may use for its oversight of Title I, Part A funds in the charter school closure process.

Your part in this study will be handled in a confidential manner. Only my research advisor and I will have knowledge of your name and the SEA you represent. The final research project will not include your name or your SEA’s name. This information will remain confidential. The identification of your SEA will remain confidential. SEAs will be linked to a geographical region instead. For instance, SEA participants from Pennsylvania will be referred to a “staff from an SEA in the Mid-Atlantic region of the nation.”

The decision to participate in this research project is up to you. You do not have to participate and you can refuse to answer any question. Even if you begin the study, you may withdraw at any time.
You will not be paid for your participation in this study.

If you have any questions about this study, please feel free to call 609-341-3403 or karen.campbell@doe.state.nj.us, the person mainly responsible for the research. You can also contact Dr. Sara Ewell (s.ewell@neu.edu or 857.272.8948), the Principal Investigator.

If you have any questions about your rights in this research, you may contact Nan C. Regina, Director, Human Subject Research Protection, 960 Renaissance Park, Northeastern University, Boston, MA 02115. Tel: 617.373.4588, Email: n.regina@neu.edu. You may call anonymously if you wish.

You may keep this form for yourself.

Thank you.

Karen Campbell