



Charter Schools Institute
State University of New York

REPORT TO THE BOARD OF TRUSTEES

**SUMMARY OF FINDINGS AND
RECOMMENDATIONS**

**RENEWAL OF THE CHARTER OF OUR WORLD
NEIGHBORHOOD CHARTER SCHOOL**

MARCH 22, 2006

Executive Summary

Our World Neighborhood Charter School was approved by the Board of Trustees of the State University of New York, and chartered on March 20, 2001. The school's charter would have expired on March 20, 2006, except the Board of Trustees extended the charter until July 31, 2006¹, and the Board of Regents approved the extension on March 21, 2006.² Our World Neighborhood Charter School has applied for a one year "short-term planning year renewal" pursuant to the *State University Renewal Practices*,³ which if approved without any conditions would result in the renewal of the school's charter through and including July 31, 2007 and allow it to operate pursuant to the terms of its original charter with the following exceptions: the school would operate without the assistance of Mosaica Education, Inc. its current management company, and it would change its social studies curricula in all grades.

The Charter Schools Institute reviewed the short-term planning year renewal application for Our World Neighborhood Charter School and found that the school, as described in the renewal application, will meet all the requirements of the Charter Schools Act as amended, can operate the school in an educationally and fiscally sound manner, and that granting the renewal application is likely to improve student learning and achievement and materially further the purposes of the Charter Schools Act as set forth in subdivision 2850(2) of the New York Education Law subject to one condition, namely that as the School has yet to provide sufficient evidence in the application that it could manage the school without the assistance of Mosaica Schools, Inc., though it is anticipated that it will be able to do so, the renewal be conditioned as follows:

- 1) the short-term planning year renewal application be approved with the condition that
 - a) Mosaica Schools Inc. operate the school until the school's board submits sufficient evidence that all functions handled by Mosaica will be appropriately covered internally and in a fiscally sound manner, and b) the School submits a request for a material change to its charter, and the Board of Trustees approves such charter revision; and
- 2) a proposed renewal charter containing the above condition be entered into with Our World Neighborhood Charter School and forwarded to the Board of Regents for its review, comment and potential approval.

Introduction

The Charter Schools Act of 1998⁴ (as amended, the "Act") authorizes the Board of Trustees of the State University of New York (the "Board of Trustees") to grant charters to applicants for the purpose of organizing and operating an independent and autonomous public charter school. The purpose of the Act is to authorize a system of charter schools in order to provide opportunities for teachers, parents, and community members to establish and maintain schools that operate independently of existing schools and school districts in order to accomplish the following objectives:

¹ Resolution No. 2005-203 passed December 13, 2005.

² Technically, there was a one-day gap in both the provisional charter (certificate of incorporation) and the school's charter agreement with the Board of Trustees of the State University of New York. However, such gaps have occurred before and have been interpreted by the Charter Schools Institute and the State Education Department to not be legally significant.

³ The latest version of the Practices, Policies and Procedures for the *Renewal of Charter Schools Authorized by the State University Board of Trustees (State University Renewal Practices)* was revised on December 13, 2005 and is available at [http://www.newyorkcharters.org/pdf/RenewalReports/Summary%20of%20SUNY%20Renewal%20Practices%20REVISED%20\(final%20\)\(12-13-05\)1.pdf](http://www.newyorkcharters.org/pdf/RenewalReports/Summary%20of%20SUNY%20Renewal%20Practices%20REVISED%20(final%20)(12-13-05)1.pdf).

⁴ Education Law § 2850 *et seq.*

- Improve student learning and achievement;
- Increase learning opportunities for all students, with special emphasis on expanded learning experiences for students who are at-risk of academic failure;
- Provide parents and students with expanded choices in the types of educational opportunities that are available within the public school system;
- Create new professional opportunities for teachers, school administrators and other school personnel;
- Encourage the use of different and innovative teaching methods;
- Provide schools with a method to change from rule-based to performance based accountability systems by holding the schools accountable for meeting measurable student achievement results.⁵

When granted, a charter is valid for up to five years. For a school chartered under the Act to operate beyond the initial charter term, the school must seek and obtain renewal of its charter.⁶

In order to assist the Board of Trustees in their responsibilities under the Act, the Board of Trustees authorized the establishment of the Charter Schools Institute of the State University of New York (the “Institute”). Among its duties, the Institute is charged with evaluating renewal applications, including applications for short-term planning year renewal, and providing its findings and recommendations to the Board of Trustees.

This report is the primary vehicle by which the Institute transmits to the Board of Trustees its findings and recommendation regarding a renewal application. The report’s purpose is to assist the Board of Trustees in evaluating the merits of a school’s renewal application and more broadly the merits of a school’s case for renewal. The report has been created and is issued pursuant to the *State University Renewal Practices*, and the *Guidelines for Charter Schools Submitting an Application for Short-Term Planning Year Renewal* (the “Guidelines”) (copies available from the offices of the Institute) promulgated pursuant to the *State University Renewal Practices* on December 20, 2005 with the approval of the Co-Chairs of the Committee on Charter Schools of the Board of Trustees.

Statutory and Regulatory Considerations

The Act requires that a school’s application for a charter renewal of up to five years include:

- A report of the progress of the charter school in achieving the educational objectives set forth in its charter;
- A detailed financial statement that discloses the cost of administration, instruction and other spending categories for the charter school that will allow a comparison of such costs to other schools, both public and private;
- Copies of each of the annual reports of the charter school including the charter school report cards and certified financial statements; and
- Indications of parent and student satisfaction.⁷

⁵ See Education Law § 2850(2).

⁶ See Education Law §§ 2851(4) and 2852.

The Institute’s processes and procedures for short-term planning year renewal mirror these requirements and meet the objectives of the Act.

As a charter authorizing entity, the Board of Trustees can renew a charter so long as the Trustees can make each of the following findings:

- The charter school described in the application meets the requirements of the Act and all other applicable laws, rules and regulations;
- The applicant can demonstrate the ability to operate the school in an educationally and fiscally sound manner; and
- Granting the application is likely to improve student learning and achievement and materially further the purposes of the Act.⁸

Where the Board of Trustees approve a renewal application, they are required under the Act to submit the application and a proposed charter to the Board of Regents for its review.⁹ The Board of Regents may approve or return and comment on the proposed charter, ultimately leading to final approval of the renewal charter either by vote of the Regents or by operation of law.¹⁰

Short-Term Planning Year Renewal Process

This report contains the findings and recommendations of the Institute regarding a school’s application for charter renewal, specifically, a short-term planning year renewal. Schools that have taken one or more planning years come to renewal with less than three years of data regarding school and student performance. This makes it extremely difficult to determine any trends in student performance. To address this issue, the Board of Trustees designed an option or tool, the “short-term planning year” renewal option. This option is available to schools that have taken one or more planning years. These schools are able with limited review to obtain renewal in order to allow them to gather at least four full years of data before facing a full-blown renewal review.

The Institute’s protocol for a “short-term planning year” renewal is based on the same fundamental questions all schools must address in applying for renewal of their charters:

- Is the school an academic success?
- Is the school a viable and effective organization?
- Is the school fiscally sound?¹¹

In the case of a “short-term planning year” renewal, however, there is a somewhat abbreviated route to the determination of the Institute’s recommendation to the Board of Trustees regarding the renewal of the school’s charter as described in the Guidelines.

⁷ Education Law § 2851(4).
⁸ See Education Law § 2852(2).
⁹ See Education Law § 2852(5).
¹⁰ See Education Law §§ 2852(5-a) and (5-b).
¹¹ Guidelines at p. 2.

The Institute looks for the following in an application from a school seeking a short-term planning year renewal:

1. To respond to the question of academic success, the Institute will look toward the submission of the school's current year's Accountability Plan Progress Report which is due on August 1st, as well as any other data provided to the Institute during the course of the school's current charter period, including any formal and informal inspections and visits to the school during the course of the charter.
2. To respond to the question of whether the school is an effective, viable organization, the Institute will conduct a desk audit of the school's visit and inspection reports. This will include visits conducted by the Institute or other entities, such as SchoolWorks and the State Education Department. The Institute will also review records regarding the school's compliance with existing laws, regulations and policies to determine whether the school has been in substantial compliance.
3. To respond to the question of fiscal soundness, the Institute will refer to the most current desk audit of the school by the Institute's Vice President for School Fiscal Accountability.

In addition to the above, the Institute reviews any ways in which the school proposes to modify or augment the program set out in the original charter application. The school must submit a plan for its next charter period (typically one or two years) that is reasonable, feasible and achievable. The plan should include any changes to the school's education program, governance design, fiscal projections and facility plans. Finally, the Institute reserves the right to make an on site renewal visit where necessary, although it may be the exception and not the rule with regard to short-term planning year renewal applications.

The Institute then prepares a draft report, which is reviewed by key staff members. The report is then finalized, and copies are provided to the members of the Committee on Charter Schools, the other members of the Board of Trustees. This report is the product of that process and meets the requirements of the pertinent provisions of the Act in all respects.

SCHOOL DESCRIPTION

The Board of Trustees approved the charter of Our World Neighborhood Charter School ("OWN" or the "School") in January of 2001. The School used the 2001-02 school year as a planning year, and opened in the fall of 2002 with 382 students in Kindergarten through 5th grades. The School's opening was slightly delayed due to issues regarding the completion of its facility. Since that time the School has added one grade per year and grown to include 650 students in Kindergarten through 8th grades, which is within the revised enrollment range of the School's charter agreement. (The School's projected enrollment for subsequent years was revised upward during the first year of instruction). The School has operated pursuant to a management contract with Mosaica Schools, Inc.

OWN's mission is "to provide kindergarten through 8th grade students with the foundation of a rigorous liberal education ... students will develop a historical perspective of our own time and place through an integrated study of history, geography, literature, the social sciences, science, math, arts and music." The School is "committed to preparing all students to meet the academic challenges of the best New York City high schools." The School seeks to help students see themselves as part of widening circles of their community; from home, school and neighborhood to country and world.

The School is located in Western Queens, which the original application noted as “extraordinarily diverse.” The area is unique in that no single nationality dominates the multitude of cultures represented there – the local concept of neighborhood “has exploded to include something that looks like a microcosm of the world.” However, new immigrants are underrepresented in Astoria’s neighborhood organizations, owing to language barriers, long work hours, and familial ties. Therefore OWN believes that “[s]chools can play an important role in helping parents become meaningfully involved in their children’s education and help families connect with other parents across ethnic and cultural lines.”

As of the 2005-06 school year, OWN operates from two locations: the elementary school, K – 5th grade, is housed at 36-12 35th Avenue in Astoria (Queens); and the middle school is located at 31-20 37th Street in Astoria. The buildings are within walking distance of each other which helps to minimize the challenges associated with operating separate locations.

Findings

Academic Success

Students of Our World Neighborhood Charter School have demonstrated strong academic performance on assessments in the core subjects of English language arts (ELA) and mathematics. Although OWN students initially performed below the absolute ELA measure set by the School in its Accountability Plan, they have made steady progress over the course of the three years of the School’s operation, such that on the most recent administration for which the Institute has scores (2005), OWN exceeded its absolute measure. In mathematics, the School has had consistently strong performance over the course of the charter period, meeting its absolute measure each year. In addition, OWN exceeded its goal for student performance in science in 2005 and was close to meeting its goal for social studies.

In its absolute level of performance on the 2005 fourth grade state examinations, the School not only met its goal in mathematics, but exceeded it by having 92 percent of the students enrolled in the School for at least two years score at Levels 3 or 4. The School established and has maintained strong fourth grade mathematics scores throughout the charter period (63 percent at Levels 3 and 4 in 2003; 68 percent in 2004). The same is not the case for ELA, since the results of the initial ELA administration in 2003 resulted in 44 percent of the fourth grade students enrolled in the School for at least two years reaching proficiency or above, and 58 percent in 2004. However, as of the 2005 administration of the state’s ELA exam, OWN has exceeded its goal in ELA with 71 percent of the fourth graders achieving proficiency or above. To its further credit, in 2005, 21 percent of the fourth graders scored at Level 4, the highest level of the exam.

With respect to the comparative performance on state examinations, OWN compares and contrasts itself with New York City’s District 30, the district in which the school is physically located. On the fourth-grade ELA exam, the School underperformed the district in its first two years, but again showed steady progress over its three years of operation, such that it was able to outperform the district in 2005. In mathematics, the School matched the performance of District 30 in its first two years; in the third year, OWN substantially outperformed the district.

OWN also established value-added goals for reading and mathematics, based on the spring-to-spring results of cohorts of students taking the reading and math sub-tests of the Iowa Test of Basic Skills (ITBS). The School’s measure is that the cohorts gain three NCEs per year. Although most cohorts did not meet the measure from spring 2004 to spring 2005, these cohorts did generally score above grade level (i.e., an average NCE greater than 50) in both reading and math. Further, the School was able to

demonstrate the impact of its instructional program among students who had been enrolled in the school for three years and who took the sub-tests in spring 2003 and spring 2005. These cohorts of students registered a gain of about six NCEs in both subjects, meeting the two-year expectation for NCE gain.

The New York State Education Department's School Accountability Report lists OWN as a charter school *in good standing*, for the 2004-2005 school year.

Organizational Viability

Based upon visits to the School, discussions with the School's trustees, and a review of relevant documents, the OWN board of trustees provides oversight for the school and understands its role as the policy-making entity for the School. Members receive reports from the principal at board meetings. The School's board monitors the School's academic progress through reports on academic achievement provided by the principal, who has been at the School since its opening. School board membership has been stable, with five of seven trustees being on the board since the founding of the school. The Institute has not received any grievances regarding the school (complaints that were not handled by the School's board). In addition, OWN has successfully met its goal of, at least, 80% of parents of students indicating their satisfaction with the school's administration and education program. The school has conducted a survey each year and, as of the 2004-05 school year, received scores of 8 or higher (out of a possible 10) for all areas, such as education program quality, instructional materials/equipment, communication, meeting child's individual needs, and special education provision. Finally, the School believes that student persistence rates reflect the level of parent satisfaction, and has therefore tracked the numbers of students remaining at the school from year to year. At the end of the 2004-05 school year, 68% of the students had attended the school since it opened in 2002. 79% of the students had attended since Fall 2003.

The School's board of trustees is currently involved in planning how best to transition from the Paragon social studies program provided by Mosaica Education, Inc. because the School intends to operate without Mosaica in the short-term renewal charter period (described below). During the 2006-07 school year, the School plans to institute the Social Studies Alive! Program produced by Teachers' Curriculum Institute and the Scott Foresman Social Studies program. The School board has already ensured that the program is aligned with New York State standards.

The school's contract with Mosaica Schools, Inc. expires in July of 2006. However, the School board has voted not to renew the contract because it has decided to manage the School without Mosaica Schools, Inc. The School has been in discussions with the Institute regarding this issue and is currently working on a transition plan to handle functions currently performed by Mosaica Schools, Inc. with the Community Resource Exchange. For example, the School intends to hire a Chief Financial Officer to oversee fiscal issues, and has already hired personnel to handle technology support. (The School has no plans to alter its instructional staffing plan.) Pursuant to Paragraph 2.15 of the School's Charter Agreement, the Institute, on behalf of the Board of Trustees, must give written permission to the School for it to operate without the management of Mosaica Schools, Inc., and such change constitutes a material change to the School's Charter. As the School did not supply all of the needed information regarding how it will function without Mosaica School's Inc. in its renewal application, the Institute cannot, at this time, recommend approval of the operation of the School without Mosaica, nor make the required renewal finding of educational and fiscal soundness of the self-run School in the absence of such evidence. For this reason, and because the School has indicated that it will forward the required information to the Institute by April 1, 2006, the Institute recommends that the short-term planning year renewal application be approved with the condition that 1) Mosaica Schools Inc. continue to operate the School until such time as the School submits all information needed, including, but not limited to, revised budgets and a list of functions currently handled by Mosaica and how such functions will be handled by the School board, to demonstrate it is capable of self-management and 2) the School seeks (and the Board of Trustees

approves) a material change to the School's current or short-term planning year renewal charter to operate the School without a management organization. This condition will be an Additional Assurance and Term of the proposed renewal charter. (If the School had indicated that it was considering other management companies, the Institute would have also allowed proof of management by another management company (with a contract approved by the Institute on behalf of the Board of Trustees pursuant to Paragraph 2.15) as a component of the condition as it is not the policy of the Institute or the Board of Trustees to dictate specific contractual partners. We fully expect in this case that the School will migrate to self-management.)

Compliance with Applicable Law

Based on a limited compliance review consisting of a review of information in the files of the Institute and State Education Department ("SED") correspondence regarding OWN, the school appeared to be in general and substantial compliance with applicable laws, rules and regulations with the exceptions noted below. In September of 2003, SED notified the school that it had not submitted all information required in its Annual Report, but took no further action against the School. Also, the School had some minor issues with SED regarding enrollment information that resulted in no adverse action. In January of 2005, SED noted the school's SAVE Plan was not complete and on file with SED. The issue was apparently resolved by OWN's revision and re-submission of its plan to SED. On whole, the school has presented a mixed record of submitting information to the Institute in a timely manner as provided for in the school's charter although it has improved more recently. Communications issues with the School that arose in 2003 have also been resolved.

During an earlier compliance review, problems with the School's by-laws were identified by the Institute, but the School took no action and has not submitted revised by-laws as part of its renewal application. As a result, revisions to the School's by-laws will be made an Additional Assurance and Term of the School's renewal charter unless the by-laws are revised in time to be included in the proposed renewal charter agreement. The following issues must be addressed: minimum number of trustees (School By-laws Para. 2.3.1); notice prior to trustee removal (Para. 2.8); board action without a meeting (Para. 2.18); conference telephone calls for voting (Para. 2.19); number of trustees on executive committee (Para. 3.1); and prohibition from serving as secretary and president (Para. 4.5).

While the Institute took no action on official complaints against OWN pursuant to the Act, there were minor complaints by a parent and a teacher. The teacher complaint was communicated in December of 2003 and concerned a lapse in teachers' health insurance, about which neither the School nor Mosaica Schools, Inc. allegedly informed the teachers. While it was resolved without intervention of the Institute, we note that failure to provide health insurance for which employees have paid, or which is included in wages, is a serious matter and may constitute a violation of the New York Labor Law. The parent complaint in 2004 stemmed from an apparent lack of communication between the parent and teaching staff.

Fiscal Soundness

The School's board of trustees has provided basic oversight, and the School, as it pertains to renewal, is fiscally sound. A financial report is prepared and presented at most board meetings and the report provides meaningful information and analysis of the status of the School's financial condition. During its first operating year, the School board struggled to obtain timely and accurate financial information, but that situation improved markedly in subsequent years.

Since its inception, the School has generally operated pursuant to its long range fiscal plan included in its application. Modifications were made to reflect the changes not initially anticipated such as reduced

enrollment in 2002-2003 (75 fewer students or 17%). In its first three years, the School has operated on balanced budgets. Actual revenues exceeded budgeted revenues and actual revenues exceeded actual expenses. Although budget modifications were not made on a line item basis, no negative consequences occurred because the overall budget was in balance. The School has indicated that it will operate under the fifth year budget supplied with the original charter unless it changes management, in which case it will supply a revised budget for the one-year renewal term.

Internal control can be expected to provide only reasonable, not absolute, assurance to the School's management and board that objectives will be achieved. For the year ended June 30, 2003, the School's independent auditors' reports on compliance and on internal control over financial reporting disclosed fifteen reportable conditions including eight items that were considered material weaknesses. Subsequent reports for 2004 and 2005 noted no reportable conditions or material weaknesses.

The management letter issued by the School's independent auditor in conjunction with the audit of the financial statements for the year ended June 30, 2005, included several comments and recommendations intended to improve internal control and operating efficiencies. The School should address each of these comments to strengthen its system of internal accounting control. A final copy of the School's responses to the comments has not yet been received by the Institute, but is expected.

The audit report opinion in each of School's first three operating years was unqualified, indicating the financial statements were fairly presented, in all material respects, in accordance with generally accepted accounting principles. The audit was conducted in accordance with generally accepted auditing standards and Government Auditing Standards as required. A review of the School's financial statements for the years ended June 30, 2004 and 2005 noted some anomalies and minor typos.

The School has met its financial reporting requirements with few exceptions. The annual budget and quarterly financial reports were generally filed on time or within one week of the applicable due date with two exceptions. The first quarterly report for the 2004-2005 school year was filed two months late. Also, the School was significantly late (more than four months) in submitting its financial statement audit report for the year ended June 30, 2003. In addition to missing the initial deadline (December 1st), the School did not provide consistent weekly status updates to the Institute as required. Financial reporting is most useful for the School's board, the Institute and SED when it is timely. The School filed its 2004 and 2005 audit reports in a timely manner.

The School completed its third operating year in stable financial position. For the year ended June 30, 2005, the School saw an increase in unrestricted net assets of \$840,468 to \$1,644,066. This represents \$2,740 per approved enrollment in 2004-2005 and about 25 percent of its budget for 2005-2006. Unaudited quarterly statements for year three indicate the School is on track to continue to improve its financial position. The School has not been reliant on variable financing to meet its goals.

Facility Plans

The School will continue to operate its Kindergarten to Grade 5 program at 36-12 35th Avenue, Astoria, NY 11103 and its Grade 6-8 program at 31-20 37th Street, Astoria, NY 11103. In the spring of 2005, the School's board of trustees embarked on the development of a short-term strategic plan. This strategic plan will be used to guide both fiscal and facilities planning.

Conclusions and Recommendation

As described above, and based on the limited evidence before it, the Charter Schools Institute finds that Our World Neighborhood Charter School submitted a renewal application that meets the requirements of Education Law subdivision 2851(4). The Institute further finds that OWN meets the requirements of the Charter Schools Act and all applicable laws, rules and regulations, and would be operated in an educationally and fiscally sound manner during the renewal period so long as it continues to be managed by Mosaica Schools Inc. As the School board has indicated that it wished to self-manage but did not supply all of the information needed for the Board of Trustees to approve self-management, the Institute recommends that a condition be placed on the renewal charter that keeps Mosaica Schools Inc. management in place until required information is received by the Institute, and the Board of Trustees approves a material change to the School's charter allowing self-management (as described more fully above). The Institute further finds that granting a one year charter renewal with such condition would likely improve student learning and achievement and materially further the purposes of the Act as set forth at subdivision 2850(2) of the Education Law. In addition, granting a one year renewal will assist in building sufficient data to be analyzed as part of the Institute's full renewal review. Based on these findings, the original charter as modified by the information in the renewal application, and the evidence before it, the Institute recommends that the Board of Trustees renew the charter for a one-year period pursuant to the short-term planning year renewal structure contained in the *State University Renewal Practices* and the management condition described in this report.