

Charter Authorizer's Guide to Using the MCSO Application Tool

Act 55 of 2017 amended the Public School Code to add Section 1729.1-A to the Charter School Law (CSL), 24 P.S. § 17-1729.1-A, and permit the consolidation¹ of existing high performing charter schools into a Multiple Charter School Organization (MCSO). Act 55 required the Department of Education to develop and issue a standard application form that MCSO applicants must submit to each school district that granted the initial charter of any charter school included in the proposed consolidation. Chartering school district(s) have 45 days to review and act on an application for creation of an MCSO; if no action occurs within the 45 days, the application is deemed approved. After approval by the chartering school district(s) or the Charter Appeal Board, or the passage of 45 days, the MCSO Application is submitted to the Department. The Department also has 45 days to review and act on an MCSO Application.

This Charter Authorizer's Guide is designed as a resource for school districts in the review and evaluation of MCSO applications. Additional resources are available on the [Department's Division of Charter Schools website](#).

Navigating the Tool

The MCSO Application contains 11 color-coded tabs:

- Two **black tabs** provide a means to analyze financial, facilities, and enrollment information provided by the applicant.
 - The **Outputs** tab contains financial, facilities, and enrollment indicator calculations. More information regarding this tab is provided below.
 - The **Financial Indicators** tab provides widely-accepted parameters for evaluating certain calculations in the outputs tab. More information regarding this tab is provided below.
- Two **green tabs** serve as resources for applicants in completing the application.
 - The **Instructions** tab contains detailed instructions for each tab of the application.
 - The **Checklist** tab serves as a reference for applicants in ensuring the required documentation is submitted along with the MCSO application.

¹ The term "consolidation" found in 24 P.S. § 17-1729.1-A is referred to in this guide as "merger" to reflect the current provisions of Pennsylvania's Associations Code, 15 Pa.C.S. § 101 *et seq.* The term "merger" is defined in the Associations Code as: "A transaction in which two or more merging associations are combined into a surviving association pursuant to a document filed by the department or similar office in another jurisdiction." 15 Pa.C.S. § 312(a). The General Comments to section 312 of the Associations Code further explain: "The term 'merger' in this chapter includes the transaction formerly known under Pennsylvania law as a consolidation in which a new entity results from the combination of two or more pre-existing entities."

- Seven **yellow tabs** serve as the body of the application. Applicants must complete all yellow tabs for the application to be complete.
 - The **Application Fact Sheet** tab captures identifying information for existing charter schools and for the proposed MCSO, as well as information regarding application submission.
 - The **Finance and Facilities** tab captures information regarding finances, service provision, insurance, policies and procedures, and facilities for existing charter schools and for the proposed MCSO.
 - The **Current Year Budgets** tab contains detailed, current year adopted budget information for each school proposed to be included in the proposed MCSO.
 - The **MCSO Budget Projections** tab contains detailed five-year projected budget information for the proposed MCSO.
 - The **Governance** tab contains questions related to authority, decision-making, and leadership practices and plans.
 - The **Staffing and CMOs** tab captures information about current staffing at each charter school as well as staffing projections for the proposed MCSO.
 - The **Enrollment** tab captures historical and current enrollment at each charter school as well as enrollment projections for the proposed MCSO.

For Authorizers: Outputs Tab

The Outputs tab contains financial, facilities, and enrollment indicators and provides calculations and data aggregations that quantify how finances, facilities, and enrollment for each school are projected to change under the proposed MCSO.

Financial Indicators

This section provides a school-by-school overview of financial indicators that are fundamental to the solvency of a charter school (e.g., having cash available to weather unforeseen circumstances). **Authorizers should be especially mindful when indicators fall below recommended thresholds (explained in detail on the Financial Indicators tab).**

Budget to Actual Comparison

This section provides a summary comparison of the variance between adopted budgets to actual revenues and expenditures over the prior three-year period, on a school-by-school basis. **Authorizers should watch for significant differences between budgeted and actual expenditures within each year.**

Expenditure Indicators

This section provides a school-by-school overview of expenditures by category (Instruction, Support Services, Non-Instructional Services, Capital Outlay, and Debt Service). The section also aggregates the data for the proposed MCSO for the first five years of operation. **Authorizers should be attentive to significant changes in anticipated expenditure distribution or a declining share of total spending on instruction.**

Charter to MCSO Budgetary Comparison

This section aggregates historical and current budget information across all schools and compares that total to the projected MCSO budget for the first five years of operation. **Authorizers should watch for significant increases in anticipated revenue or decreases in expenditures, anticipated operating losses, and declining fund balances.**

Facilities Indicators

This section provides a school-by-school overview of key facilities indicators, including total number of buildings, building cost per student, total monthly payments, and square feet per student. The section also aggregates the data for the proposed MCSO for the first five years of operation. **Authorizers should carefully evaluate significant increases or decreases in the total number of buildings and significant increases in projected building cost per student, square feet per student, and/or total monthly payments.**

Enrollment Indicators

This section provides a school-by-school overview of key enrollment indicators, including annual growth, student to teacher ratios, retention rates, and average revenue and expenditures per student. The section also aggregates the data for the proposed MCSO for the first five years of operation. **Authorizers should watch for significant fluctuation in projected enrollment trends, average class sizes, average revenue or expenditures per student, as well as planning and programming that are misaligned with student characteristics or need.**

Staffing Comparison

This section aggregates current staffing levels across all schools and compares these data with projected staffing totals for the first three years of MCSO operation. **Authorizers should be attentive to significant increases or decreases in any of the staffing categories.**

For Authorizers: Financial Indicators Tab

The Financial Indicators tab serves as a guide to understanding the financial indicator calculations displayed in the Outputs tab. In addition to explaining the financial calculations, this sheet provides widely accepted parameters for evaluating calculations in the context of accepted standards of fiscal management or audit requirements. This guide is organized first by the financial indicators included in the Outputs tab and then provides other commonly used financial indicators (e.g., number of days receivable, debt service coverage ratio). Applicants are able to view these same parameters.

This document has been created to assist authorizers in understanding and aggregating the information contained within the application tool. The financial indicators and associated thresholds provide guidelines that are commonly used by ratings agencies and charter authorizers, both across the commonwealth and by other states, to inform evaluation of charter schools. The outputs and financial indicators provided should not be interpreted as a definitive determination of a proposed MCSO's feasibility; instead, they should be viewed as a starting point for evaluation.

Troubleshooting: Adjusting Rows

In some instances, an applicant's response to a narrative question may exceed the space available in a response box. In these occurrences, adjust the size of the rows until all text is visible. To do this:

1. Move the cursor to the numbered row at the bottom of the blue text box, as indicated by the arrow below.

10	8a. Describe how merger will affect school governance and operations of the individual charter schools within the proposed MCSO. Be sure to include both benefits and any anticipated challenges. How will the MCSO work to overcome these challenges?
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2. Hold down the cursor and drag the row downward until all text is visible, as shown below.

10	8a. Describe how merger will affect school governance and operations of the individual charter schools within the proposed MCSO. Be sure to include both benefits and any anticipated challenges. How will the MCSO work to overcome these challenges?
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MCSO Application Tool Assistance

Questions regarding the MCSO Application Tool may be directed to Barbara Clemmer at 717-425-5728 or bacllemmer@pa.gov.