pennsylvania
DEPARTMENT OF EDUCATION

June 5, 2012

Danny Cortez
Esperanza Cyber Charter School

DELIVERED VIA EMAIL

Dear Mr. Cortez,

Thank you for submitting your responses to the deficiencies noted in your application issued on January 30, 2012 by the Pennsylvania Department of Education.

After reviewing the Esperanza Cyber Charter School application, it is the decision of the Pennsylvania Department of Education to approve your application.

However, there are parts of the noted deficiencies that still must be addressed prior to your opening of your school for the 2012-13 school year. Please submit the outlined documents within 60 days of opening school in August 2012.

In addition to the decision, all of the board members must sign the accompanying Esperanza Cyber Charter School charter agreement and return the charter to the Department for final signature from the Secretary of Education. Please accept our congratulations and best wishes for a successful cyber charter school.

If you have any questions, please contact Marlene Kanuck at (717) 783-9294 or at mkanuck@pa.gov.

Sincerely,

Carolyn C. Dumaresq, Ed. D.
Deputy Secretary

Enclosure

The Proposed Esperanza Cyber Charter School
2011 Cyber Charter School Application

Background

Amendments to the Charter School Law ("CSL"), 24 P.S. §§17-1701-A – 17-1751-A, that became effective July 1, 2002, include new Subchapter (c), which sets forth new provisions for the establishment and oversight of cyber charter schools. *See,* Act of June 29, 2002, No. 88, §14, adding 24 P.S. §§17-1741-A to 17-1751-A ("Act 88"). Pursuant to Act 88, the Department of Education (the "Department") has the authority and responsibility to receive, review and act on applications for the creation of a cyber-charter school.

On October 3, 2011, the proposed Esperanza Cyber Charter School submitted an application to operate as a cyber charter school. The Department provided 30 days' notice of a public hearing that was held on November 29, 2011. At the hearing, Esperanza Cyber Charter School presented the Department with information about its application. Department personnel who had reviewed the application posed questions to the Esperanza Cyber Charter School representatives.

On January 30, 2012, the Department denied Esperanza Cyber Charter School application based on deficiencies in the application. Pursuant to Charter School Law, the applicant had the opportunity to revise and resubmit its application to the Department. The proposed Esperanza Cyber Charter School submitted a revised application on May 1, 2012. The Department has 60 days after receipt to grant or deny the revised application.

Decision of the Pennsylvania Department of Education

Based on a thorough review of the resubmitted application, the Pennsylvania Department of Education is approving the application of the **Esperanza Cyber Charter School ("ECCS").**

However, the following deficiencies were still noted and must be addresses 60 days before opening in August 2012.

Financial Requirement

ECCS's resubmitted application still does not satisfy specific deficiencies noted in the original application. The following are the remaining deficiencies in Financial Requirements:

- ECCS submitted a single five-year budget format in its resubmission, and states "ECCS's corrected budget now accurately reflects its programmatic expenses." However, there appear to be two versions of FY 2012-13 with very small differences in expenditure totals. The difference is $2,191.

- In addition, the resubmitted budget does not use the PDE format (form PDE-2028) with the required function and object codes. While the submitted format is clear in its planned allocation of resources, it is important that charter schools (and school districts) maintain budget reports using the required PDE-2028 for consistency.

- The budget included in the resubmission now includes the PSERS contribution rates that were available on the PSERS website as of the time of the review. However, since that time PSERS has published updated rate projections consistent with the most recent actuarial valuation (completed January 31, 2012). The most recent rates can be accessed at the following link (and are shown below):

  http://www.psers.state.pa.us/content/pfr/resources/contributions.pdf

Fiscal Year	Rates Used in ECCS Resubmission	Current Published Rates
2012-13	12.19%	12.36%
2013-14	16.69%	16.75%
2014-15	21.88%	21.25%
2015-16	23.66%	25.56%
2016-17	24.50%	26.26%

The differences in the rates would have a negligible impact on the school's five-year budget submission in the first three years, when those differences are small. In the fourth

and fifth years, PSERS costs using the most recent actuarially-determined contribution rates would increase by approximately $64,000 and $76,000 respectively.

Given that the school does not show operating surpluses in any year of the five year plan, expenditures would need to be reduced elsewhere to eliminate the deficits resulting from the higher PSERS contribution rates.

Please provide a corrected budget using PDE -2028 and revised PSERS chart.

Professional Development Requirements

ECCS's resubmitted application still does not satisfy specific deficiencies noted in the original application. The following are the remaining deficiencies in Professional Development Requirements:

- The ECCS identified ten individuals that will be on the Professional Education Planning Committee; however, they identified only one parent, one community representative, and one business representative. Each of those categories must have two representatives on the Committee.
- They refer to several methods (instruments and data from online systems, reports from supervisors and monitors, and observations of professional education sessions) to determine whether the established professional education impacts student achievement. More details, such as the name of the online systems, type of reports used by supervisors and monitors, and the kind of observation used to monitor the professional education activities must be provided.
- There was no evidence of how the school's professional education program would be annually evaluated.

Please submit corrected Professional Education Plan.

Management Agreement Requirements

ECCS's resubmitted application still does not satisfy specific deficiencies noted in the original application. The following are the remaining deficiencies in Management Agreement Requirements:

- In its initial application, ECCS stated that it would seek a management contract with Esperanza, Inc. for the following areas: human resources, public relations, maintenance, legal, capital projects and facility development, finance and accounting, development, fundraising and marketing, government relations and risk management. ECCS was advised that it must provide a finalized management agreement in the application so the Department could determine whether the ECCS's Board of Trustees would have ultimate control of the cyber charter school.

- In its resubmitted application, ECCS provided a copy of a Management Services Agreement between Nueva Esperanza, Inc. and ECCS. Although a signed agreement

was provided, it does not provide the information necessary for the Department to determine the scope of the services to be provided by Nueva Esperanza, Inc. and whether the ECCS's Board of Trustees will have ultimate control of the cyber charter school.

- The management agreement is does not provide the information necessary to fully understand the exact detail of the services to be provided by Nueva Esperanza, Inc. The statement in the resubmitted application about the Scope of Work is similar to what was provided in the initial application, as noted above. The Scope of Work in the resubmitted application is for services that "shall include, but not be limited to, human resources management, legal representation, financial reporting, audit and accounting, working capital, development and funding, real estate development, public relations and government relations." It is further stated that the Scope of Work is more particularly described in Exhibit A to the agreement. However, Exhibit A is not attached to the agreement.

- In the management agreement, it is stated in one of the "whereas" clauses, that Nueva Esperanza, Inc. has provided management services to ECCS for several years. However, this cannot be accurate since ECCS is not yet in operation. More significantly, the agreement states that Nueva Esperanza, Inc. will maintain records, including financial records, for three (3) years after the date of final payment. However, section 518 of the Public School Code, which is applicable to cyber charter schools, requires that a school retain its minute book, each annual auditor's report and each annual financial report permanently. Also, other financial records must be maintained for a minimum of six (6) years. Therefore, ECCS must ensure that it will retain records for the appropriate amount of time.

Please provide a corrected Management Agreement, including the Scope of Work.

While the items listed above must be addressed 60 days prior to the opening of the Esperanza Cyber Charter School, the application submitted to the Department is approved.

Deputy Secretary
Office of Elementary & Secondary Education

6/5/12
Date