Emmerich Manual High School

Budget Narrative Preamble:
Transition from Takeover to Turnover to Charter

Overview

The transition from takeover to turnaround to prospective charters has been highly dynamic since 2012; and budget strategies have, accordingly, shifted substantially with each phase of work.

The earliest phases of this work broke completely new ground, with dynamics that were far more costly than anyone had anticipated, due in part to deep-seated cultural challenges and also resulting from intentional resource depletion by Indianapolis Public Schools. As was documented through official enrollment data and even front-page newspaper articles, IPS also waged a massive transfer of students to deprive the incoming operator of state tuition support.

Part of the turnaround work was supported with additional funds through federal School Improvement Grants (SIG). But as the original operator of these turnaround academies, Charter Schools USA (CSUSA) also absorbed a lot of those unexpected costs through uncollected service fees. Those uncollected fees remain today on the financial statements of CSUSA; but as has been formally communicated to ICSB and the Rethink Forward Indiana board, those debts will be reconciled at the conclusion of CSUSA's contract on June 30, 2020, and will not carry over to the newly proposed charter schools.

Moreover, CSUSA began a significant operational transition, beginning three years ago, to prepare these schools for a smooth transition to charter school status. The direct services shifted from CSUSA to non-profit Noble Education Initiative, substantial services were consolidated into a statewide office (serving all three schools together) and SIG funds were focused on one-time expenditures, rather than ongoing operations. That intentional three-year transition will culminate at the end of this school year, with the conclusion of CSUSA's contract, the final phase out of SIG funds and the transition to charter school status.

Takeover Status

In addition to six prior years of consecutive academic failure, the takeover of these schools in 2012 was met with significant new challenges as the district began a multi-faceted campaign to undermine their future operations. Facilities were found to be in deplorable condition and left stripped of essential equipment and materials to serve the significant needs of the students. Athletic programs had been discontinued and equipment and uniforms taken from the facilities. The culture of the school was also deprived, as chaos ruled classrooms and hallways; and, as long-time parents have testified, safety was a concern even for adults.

To remedy these immediate issues, CSUSA made significant investments into the infrastructure of the school buildings, staff, and programs. School safety was the highest priority, requiring significant capital expenditures and additional staff. Thirty sets of entry/exit-ways – ranging from two to eight doors each – were secured at a cost in the tens of thousands of dollars. Locks on all doors had to be rekeyed. New, modern security cameras were installed. Additional staff were also hired to provide a minimum of five campus monitors per school, along with a School Resource Officer (SRO) and a Supervisor. Department of Homeland Security (DHS) provided some of the support for these expenses; but the costs for SRO's alone required over $40,000 per school above and beyond the DHS grant.

To further improve the culture, CSUSA also committed 10's of thousands of dollars to the replenishment of athletic equipment for football, basketball and other popular sports, and for the reestablishment of girls' athletic programming, as well as coaching staff for all. These programs allowed for a renewed spirit of pride in the school and garnered initial support from parents and the community.

CSUSA also had to replenish the basic resources for educational programming, including textbooks and consumables. CSUSA updated existing materials to reflect current state standards and purchased online instructional software and assessment tools. The tools required to provide online instruction and assessment also required significant spending for computers and instructional display units for students and teachers. The necessary equipment and servers for online state assessment alone required a baseline budget for mere compliance.

All combined, the initial years of takeover from 2012-2016 resulted in fees for service being left unpaid to CSUSA. It also required additional staff and resources for basic safety measures, restoration of extracurriculars and basic academic offerings.

Stabilization and Planning for the Future

Despite these extraordinary challenges, the schools noticeably stabilized and were beginning to show substantive academic gain by 2015. Long term planning began in 2016 with the extension of the contract between the State Board of Education (SBOE) and Charter Schools USA (CSUSA) to serve as the turnaround school operator (TSO). The extension of the TSO contract also coincided with the terms of a new innovation agreement with IPS to run Emma Donna Elementary School.

The plan submitted to the SBOE included non-profit Noble Education Initiative (NEI) as the day to day operator using the NEI Education Model for Continuous Improvement. A state team was also established to provide local leadership and oversight for the schools. This oversight included new budgets that were aligned to a three-year plan for moving the schools to charter. The 2017-2018 budget and subsequent audit reflected a balanced budget. The following year, 2018-2019, reflected the same balanced budget result.

The programming of the schools also began to shift with the 2017-2018 school year as the SBOE staff informed the TSO that School Improvement Grant (SIG) funding would be gradually decreased over the next three years. Also, as a result of ESSA, the SIG funding had additional restrictions for use of funds that the schools also implemented into the School Improvement Plan and spending plans for federal funds. Accordingly, the use of SIG funds began to focus on one-time expenses, such as materials, supplies, software and equipment, and on support services for our staff.

Substantial improvements to the school culture, particularly safety issues, also allowed for shifts in resources. Staffing for safety, discipline and hall monitoring were substantially reduced and their costs shifted from SIG funds to general operating. Remaining SIG funds were then shifted to the initial implementation of the NEI Education Model for Continuous Improvement, including consultants, professional development and Instructional coaches/specialists. Importantly, most of these expenses were focused on initial implementation and ramp up around the new NEI education model. Indeed, the lead consultant for that work, Dr. Peggy Hinckley, has informed us that this ramp up work can be successfully phased out at this point.

The formation of a state-level team also created several new efficiencies, including:

- one central staff member to provide grant support to all schools (rather than a grants manager at each school);
- centralized management of transportation, food service, registration and business operations;
- consolidation of community engagement activities.

The resulting efficiencies saved operating dollars, reduced use of grants funds for other roles, and improved community connections, instruction, and operational performance at all three turnaround academies.

Transition to Charter

As reflected in the charter application budgets submitted by ReThink Forward Indiana, the schools each reflect a balanced budget with growing fund balances. The current school year, along with the previous two, have been spent focusing on the transition to charter status. This focus began with the establishment of the local state support team and with leadership from NEI. The resulting operational and academic implementation has yielded a balanced budget in each of the last two school years and is on track for another balanced budget in 2019-2020.

Initiatives implemented at the schools through NEI and the state leadership team included efficient use of the facility plant, administrative and instructional staffing, and community outreach and involvement. The state team hired a local facility manager with decades of experience with traditional public school facilities to oversee and lead the management of the turnaround campuses. This resulted in greater efficiency and improved service to each campus. Savings were achieved immediately and sustained over the past two plus years through in-house custodial services, in-house grounds maintenance, winter maintenance of sidewalks and parking lots, including salt application and snow removal, and overall improvement in quality building upkeep. The schools scheduled and planned facility usage to reduce the amount of square footage requiring daily cleaning and therefore reduced the number of staff required in the budget. Altogether, nearly $100,000 was saved in the first year of implementation and sustained thereafter.

Grant management was also improved by utilizing state team structures and expertise from NEI grant leadership. Each school has utilized 97- 99% of grants funds available in each of the previous two fiscal years. This efficient and effective use of funds allowed the general funds budgets to operate on budget and with greater predictability.

NEI provided national partnerships with consultants and educational content providers that resulted in significant savings. The consolidated oversight by the state team and robust support by NEI resulted in budget savings and significant student academic growth. The partnerships with national content providers created opportunities in each school to use robust and results-based resources at no charge to the schools. The access to these materials, supplies, and services created savings for the schools and academic growth opportunities for the students.

Each school will continue to have line items for professional development and will also receive support from NEI grants staff to obtain additional funds for professional development. But as part of its management contract, NEI also provides comprehensive professional development that includes leadership development, curriculum implementation and performance monitoring.

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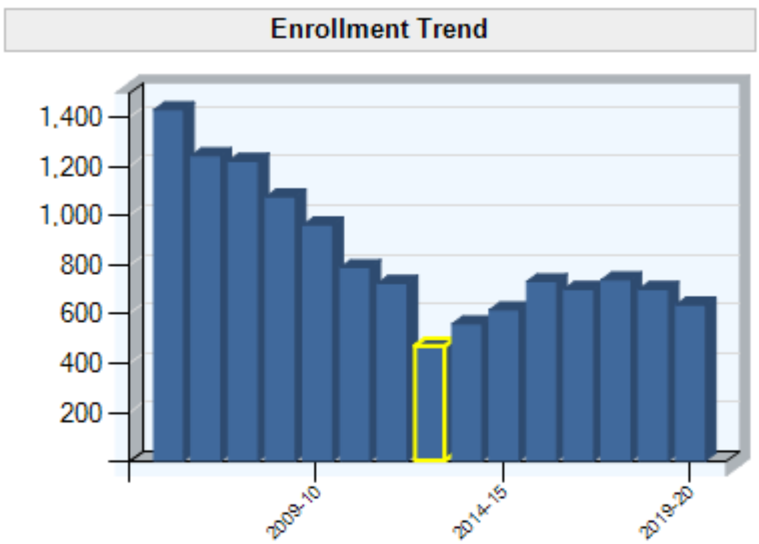
All told, CSUSA provided services to the schools as a national operator and TSO with a focus on immediate improvement and long-term sustainability for each campus. The early years of turnaround from 2012-2016 required an operator like CSUSA to make the initial push through the chaos the schools were left in by IPS in order to see the success academically and culturally that the schools are experiencing today. All three schools were failing and even dangerous for at least six years prior to state intervention in 2011. The groundwork for turnaround has been completed, academic progress has begun, and each of the schools now sits on solid financial, academic and cultural foundation for moving forward as charters.

Revenue Assumptions

STUDENT ENROLLMENT



Enrollment at Manual increased steadily following the substantial drop that was orchestrated by IPS prior to takeover in 2012-13. Moreover, despite the continuing label as a failing takeover school and a future that has been highly uncertain, enrollment has remained consistent with or even higher than pre-takeover enrollment levels. Indeed, while year-over-year enrollment changes at IPS have averaged a half-percent decline over the past five years, Manual's year-over-year changes have averaged a 1.2 percent increase in those same years.

The transition from turnover status to a charter school holds great promise for a school that, by all accounts Including long-term enrollment trends, had largely been abandoned under previous IPS management. The continuing pipeline through Emma Donnan also holds great promise for creating continuity for families, whose alternative k-6 choices have been lower performing.

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Demand Analysis

In conjunction with 20 years of expertise in analyzing demographic data, the management of these schools has utilized Esri technology to provide sound analysis which has readily contributed to enrollment at 91 schools, 86 of which have over 10,000 students on waiting lists. The aforementioned analysis, rooted in demographic and map-based intelligence, has revealed the following key findings:

- 19 feeder Middle Schools
- Number of School Aged Children (Aged 14-18) have continued to increase since 2010 (5.2%) and are projected to increase by 2024 (~4%)
- 100 8^{th} Graders from current CSUSA Feeder (Emma Donnan)
- 15-Min Absorption: 8% (Average)
    - Average percentage of current student population needed to fill the school

Marketing Plan

Marketing will be a two-pronged approach focusing on current student retention and new student recruitment strategies. Engagement efforts will target households with children ages 14-18 within a 15-minute drive time of Emmerich Manual High School.

Current Student Retention Strategies

Engagement with existing families will occur through increasing communication, events, and wrap-around services. Emmerich Manual offers and will continue to increase onsite CTE Classes, Dual Enrollment options, food pantry, in-school tutoring, and learning opportunities/speaker series students, parents, and families.

New Student Recruitment Strategies

Efforts will focus on inbound marketing by increasing our search engine presence and adding targeted lead generation. Earning attention organically through positive public relations, community building, alumni relations, hosting community- and school-based events to increase visibility of the course offerings, CTE pathways programs, and services provided by the school.

New student applications will be accepted though Enroll Indy, as well as in person and on the school's website.

1. Targeted Marketing –
a. Direct Mail – We will direct mail all households in targeted area with students
entering targeted grades to direct them to apply online and attend an enrollment information session at the school or in the community.

b. Media – We will use varied local media outlets including, but not limited to television, radio, and print media to disseminate information to families
and supporters regarding upcoming community events.

2. Information Session Meetings –one large enrollment information session meeting will be held per month. Meetings will be open to the public and held in at the school and other public locations such as libraries, churches, community centers that are easily accessible to our targeted population. Parents, families and community members will be invited to learn more about the school.

3. Social Forums/Family Events – We will identify community festivals, parenting and family events to sponsor and in which to participate. Our goal is to increase brand awareness of the school and to provide school information to potential families.

4. Online Marketing – including targeted lead generation, email marketing, social media campaigns and sponsored ads will be used to inform parents and community members about the school and to drive traffic to the online application and to register in person at school.

5. Neighborhood Canvassing – One of the most effective methods of meeting potential
families is talking to them face-to-face in their neighborhood. We will employ a grassroots style, door-to-door marketing strategy in targeted areas. Flyers and information will be distributed at businesses, childcare centers, churches, and households directing families and community members to the school, information sessions, the school's website and
Facebook page.

- Pupil Revenue funding is assumed at $8,857 per student in Year 1. This is based on the latest funding amounts published by the Indiana Department of Education.
- Food service revenue consists of a combination of full-paid lunches and reimbursement from the National School Lunch Program (Table 15.1).

Table 15.1

Year 1	Year 2	Year 3	Year 4	Year 5
$359,473	$373,852	$388,231	$402,609	$416,988

Other revenue, which includes a 2% assumed increase to per-pupil funding each year as well federal e-rate funding, is shown in Table 15.2 below.

Table 15.2

Year 1	Year 2	Year 3	Year 4	Year 5
$141,994	$144,834	$147,730	$150,865	$153,698

Expense Assumptions

- Average teacher wage is assumed at $40,000.
- Performance-based bonus is included in the budget as outlined in the table below. However, ReThink may use Manual's remaining fund balance each year to increase bonus compensation at their discretion.

Table 15.3

Year 1	Year 2	Year 3	Year 4	Year 5
$4,361	$4,626	$4,900	$5,183	$5,476

- NEI management fees are calculated as a percentage of revenue at 10% in in all years (Table 15.4).

Table 15.4

	Year 1	Year 2	Year 3	Year 4	Year 5
Final Management Fee	$857,718	$899,235	$942,017	$986,100	$1,031,520

- In accordance with IC 20-26-7-1, rent is calculated at 0% of revenue in all years (Table 15.5).

Table 15.5

Year 1	Year 2	Year 3	Year 4	Year 5
$0	$0	$0	$0	$0

- Transportation: The number of buses needed each school year was determined using the 5-year enrollment ramp, an average of 58 students assigned per bus, and trend data to determine what percent of the total enrollment would require school bus transportation. Cost was determined by multiplying the number of buses needed by the estimated cost per bus, using current bid pricing for the services required and accounting for an annual 2% increase in cost. The SPED population requiring transportation as part of an IEP was assumed at being at least 3% of the total student enrollment and was factored into the total cost of transportation.

- Instructional technology costs (hardware used for instruction and instructional software) assumptions for each year are outlined in the table below (15.7)

Table 15.7

Year 1	Year 2	Year 3	Year 4	Year 5
$63,492	$85,680	$87,270	$89,650	$92,090

- Table 15.8 below shows the 5-year projected staffing matrix.

Table 15.8

	Year 1	Year 2	Year 3	Year 4	Year 5
School Leadership	3.41	3.41	3.41	3.41	3.41
Administrative-Salaried	4.88	4.88	4.88	4.88	4.88
Administrative Assistant	2.00	2.00	2.00	2.00	2.00
Student Services Coordinator	4.00	4.00	4.00	4.00	4.00
Nurse	2.00	2.00	2.00	2.00	2.00
IT Support	-	-	-	-	-
Other Support	3.00	3.00	3.00	3.00	3.00
Plant Operations	5.00	5.00	5.00	5.00	5.00
Food Service	3.00	3.00	3.00	3.00	3.00
Total Administrative Staff	**27.29**	**27.29**	**27.29**	**27.29**	**27.29**
Teachers	**35.00**	**37.00**	**38.00**	**39.00**	**40.00**
Instructional Aides	4.00	4.00	4.00	4.00	4.00
ESE/Special Education Teachers	6.00	6.00	6.00	6.00	6.00
ESE/Special Education Aides	3.00	3.00	3.00	3.00	3.00
Curriculum Resource Teacher	4.00	4.00	4.00	4.00	4.00
Total Instructional Staff	**52.00**	**54.00**	**55.00**	**56.00**	**57.00**

- Cumulative fund balance of at least 3% of total revenue is achieved by Year 3 and a balance of $1,282,612 is reached by the end of Year 5 (Table 15.9). These funds will be maintained for Manual and used at ReThink's discretion.

Table 15.9

	Year 1	Year 2	Year 3	Year 4	Year 5
Cumulative Fund Balance	$76,022	$197,781	$423,017	$783,618	$1,282,612
% to Revenue	0.9%	2.2%	4.5%	7.9%	12.4%

a. **The degree to which the school (and network) budget relies on variable income (e.g., grants, donations, fundraising).**

Manual anticipates receiving grant funding for Title I ($898,000 each year), Title II ($68,887 each year), Title III ($15,000 each year), IDEA ($178,000 each year), the Perkins Grant ($123,000 each year), the Homeland Security Grant ($29,000 each year), and the Charter and Innovation Network School grant ($750 per student each year). Total grant revenue assumptions are outlined in Table 15.10 below.

Table 15.10

Year 1	Year 2	Year 3	Year 4	Year 5
$1,875,911	$1,896,911	$1,917,911	$1,938,911	$1,959,911

b. The school's contingency plans to meet financial needs if anticipated revenues are not received or are lower than the estimated budget.

We have developed first-year contingency plans contemplating enrollment levels at 90% and 75% of original targets, respectively. In both scenarios, all enrollment dependent line items and other variable expenses have been reduced appropriately and all budgetary drivers reevaluated. In addition, our management fees would also be reduced based on 10% of the new revenue basis.

As it relates to staffing, with lower enrollment, special education students will require fewer teachers. With fewer teachers, fewer coaches will be required. The coaching will still be provided to implement the education model for continuous improvement but lower enrollment levels would require a smaller coaching staff.

On the technology side, with fewer students it will require a smaller scale upgrades on the devices required to support instruction and assessment. The upgrades can still proceed at a slower pace based on student enrollment growth.

Building repairs and maintenance expense would also flex with enrollment. This plan already includes partnership with a national facility management team to provide support and financing in the scenario that substantial repair and/or maintenance is required as an emergency scenario. With any enrollment reduction relative to the original plans, building repairs and maintenance would not be executed as aggressively as initially planned.

Below, we highlight the material changes relative to the original budgets. Additional details can be found in the attached budget document.

90% Scenario
- Three teachers
- One school leadership staff
- One administrative assistant
- Two Instructional Coaches
- Technology, Furniture, Fixtures & Equipment
- Building Repairs and Maintenance Costs
- Contracted Custodial Services

75% Scenario
- Eight teachers
- One school leadership staff
- Three Instructional Coaches
- Two Student Services Coordinators
- Two Special Education Teachers
- Two Special Education Aides
- Technology, Furniture, Fixtures & Equipment

- Building Repairs and Maintenance Costs
- Contracted Custodial Services
- Outside Staff Development Consulting Fees

c. How the school will ensure it has sufficient funds to cover all anticipated expenses, including but not limited to: (a) start-up costs, (b) any special education costs incurred, (c) any transportation costs necessary to ensure the school will be accessible for all enrolled students, and (d) required retirement plan contributions.

ReThink will approve Manual's budget on an annual basis and conduct budget management throughout the year using a 3-part process: (1) review and approval of financial statements, (2) review of budget vs. actual variances, and (3) forecasting of future results. The first part of the process is the preparation of Manual's monthly financial statements. These financial statements are prepared by NEI and are distributed electronically to both school leadership and ReThink. Monthly financial statements are prepared using Generally Accepted Accounting Principles specific to governmental entities. Monthly financial statements include a comparison of actual results to the approved budget to facilitate the second part of the process. Through forecasting, the third part of the process, the governing board is able to make timely decisions to ensure the financial health of Manual.

c. How the school addressed previous financial compliance issues found by current authorizer (if applicable).

Since being designated as a turnaround school for the 2012-13 school year, Manual has not had any financial compliance issues.