



**STATE PUBLIC CHARTER SCHOOL AUTHORITY**

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**BRIEFING MEMORANDUM**

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**TO:** SPCSA Board  
**FROM:** Patrick Gavin  
**SUBJECT:** Agenda Item 4—Consent Agenda—Coral Academy Amendment Request  
**DATE:** August 26, 2016

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**Background:**

[NRS 388A.030](#) defines an educational management organization as a for-profit corporation, business, organization or other entity that provides services relating to the operation and management of charter schools and achievement charter schools. Additionally, [NRS 388A.393 expands](#) on the definition to include several other kinds of entities and service providers who provide services to charter schools:

““...[C]ontractor” or “educational management organization” means a corporation, business, organization or other entity, whether or not conducted for profit, with whom a committee to form a charter school or the governing body of a charter school, as applicable, contracts to assist with the operation, management or provision and implementation of educational services and programs of the charter school or proposed charter school. The term includes a corporation, business, organization or other entity that directly employs and provides personnel to a charter school or proposed charter school.”

Based on guidance from counsel, a broad range of vendors may be considered as educational management organizations, including but not limited to LLCs formed by retired educators to contract with schools for the provision of administrative services, providers of back office financial management services, and non-profits affiliated with a school which provide services on either a fee or reimbursement basis.

[NAC 386.400 et seq.](#) outlines a number of requirements related to charter schools contracting with educational management organizations, including sponsor approval of such contracts and amendment of the written charter or charter contract.

Coral Academy has identified a contractual relationships which requires review and approval by the Authority and the granting of an amendment to their charter contract:

1. Contract with Charter School Management Corporation (CSMC): CSMC is a national provider of back office financial management services to charter schools. CSMC does not provide educational services such as curriculum or the leasing of instructional staff, but it does provide operational services in the form of financial management and reporting, payroll, and other back office functions. It also has employees assigned to provide allocated, part-time financial management services to the school. While the form of the contract and the structure of the organization may differ, CSMC's relationship to the school and the services it provides are similar to many non-educational service vendors, including service providers such as Academica Nevada LLC which currently contract with Authority authorized schools.

From a national perspective, it is not unusual for a school to have multiple contractual relationships with service providers which merit sponsor approval. For example, DC law requires that charter schools obtain authorizer approval for any contract over \$25,000. Many authorizers, including Central Michigan University, require schools to request charter contract amendments in order to enter into agreements with service providers for the provision of a broad range of services. These subcontracts are tracked separately by the sponsors and are incorporated into and subordinate to the charter contract with the sponsor. In Nevada, [NAC 386.400\(2\)](#) requires charter schools to submit all contracts with any vendors and contractors to their sponsors within 30 days of execution. This requirement has been in effect since April 2002, when the Legislative Commission approved [R193-01A](#). The state's first regulations related to educational management organizations were adopted at the same time. While these provisions have been amended several times, the expectation that schools would need sponsor approval to enter into such contracts has remained a constant.

The Agency is in receipt of a request for approval of contractual amendments to contract with this organization. Copies of the letter of transmission, the board minutes, and the CSMC contract were provided.

**Recommendation:**

The Agency recommends approval of the contract and the issuance of a charter contract amendment. The Authority should be aware this contractual relationship pre-date today's meeting. The Agency would note that Coral and CSMC identified this issue in conversations with staff and have worked proactively with Agency staff to address these issues and has sought guidance on how to come into compliance with the statute. They have displayed a strong sense of urgency to address this issue quickly. This area of law and regulation has evolved rapidly since 2013 and Agency staff suspects that there may be other instances of non-compliance which schools will need to remedy. Agency staff request that the Authority not impose any consequence or make any compliance finding related to this matter. Based on this experience, Agency staff intends to contact all Authority schools and request that they review their contracts and determine if any of them require sponsor approval and a written charter or charter contract amendment. Depending on the volume of possible approvals, it is likely that staff will develop a process and materials to assist schools in coming into compliance with the statute. In the event that the Authority members wish to authorize Agency staff to grant such amendments going forward pursuant to [NAC 386.326](#), staff will place an agenda item on the September board agenda to provide the Authority with the opportunity to make that determination.