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ACTION MEMORANDUM

TO: SPCSA Authority Board
FROM: Mark Modrcin, Director of Authorizing
SUBJECT: SPCSA Staff Recommendation Regarding GEMS
DATE: April 14, 2023

Summary of Recommendation:

Girls Empowerment Middle School (GEMS) is located at 4220 S Maryland Parkway, Bldg B-390, Las Vegas, Nevada, 89119. The school opened for the 2020 – 2021 school year, and the mission of GEMS is, “To empower girls to excel academically, develop their voices, and lead fearlessly in a safe, caring educational environment. Its vision is “a world where all young people have the tools and ability to create a better future for themselves and their communities.”

At the Authority board meeting on March 3, 2022, the school was issued a Notice of Concern as the school failed to meet the performance standard under three measures: Total Margin, Debt to Asset Ratio and Debt Coverage Ratio. Within the staff memo, it was noted that improved financial standing and viability would require enrollment gains to provide the school with additional revenues. The memo went on to note that without higher enrollment for FY24 and beyond, it was likely that the school’s financial outlook would continue to deteriorate.

Since that time, SPCSA staff has been made aware of continued challenges that GEMS has encountered. The school has a target enrollment of 165 for next year, but according to information provided to SPCSA staff, the school only has approximately 70 students enrolled for the 2023 – 2024 school year. This includes current students planning to return and new students planning to attend the school next year.

SPCSA staff has also been informed that the school has yet to secure additional philanthropic support to offset to make-up the difference between the current and target enrollment, and to offset any revenue shortfall.

Given these realities, SPCSA staff is increasingly concerned that the school is financially impaired and may not be viable beyond the current academic year. As detailed further in this memo, SPCSA staff recommends that the Authority issue GEMS a Notice of Breach under the SPCSA Financial Performance Framework and direct the school to develop and submit a School Viability plan no later than Tuesday, April 25th for consideration by the Authority at an upcoming meeting. A proposed motion can be found on page 5 of this memo.

Background

Since opening for the 2020 – 2021 school year, GEMS has been chronically under enrolled which has required the school to pursue solutions to operating on a reduced budget. Historical enrollment has hovered around approximately 100 students in each year of the school's operations.

As of Validation Day 2022, GEMS had 92 students enrolled. The school recently applied for and was approved to amend its current contract at the December 16, 2022 Authority board meeting to reduce its enrollment cap to 100 students from its previously approved enrollment of 140 students due to lower-than-expected enrollment. Information provided within that amendment indicated the school intended to have an enrollment for the 2023 – 2024 school year of 165 students, and eventually grow to serve approximately 215 students by the end of the charter's first term (2025 – 2026).

The aforementioned amendment also noted that the school was preparing to launch an enrollment campaign in the coming weeks according to the application. At that time, the school hoped to be able to increase enrollment for the 2023-2024 school as a result for the remainder of the current academic year.

Since the amendment was approved, information provided to staff indicates that student enrollment for the upcoming year has not increased. The school currently has approximately 70 students enrolled for the 2023 – 2024 school year, nearly 100 students shy of the school's target enrollment of 165 for next year.

In addition to this challenge, supplementary information provided by the school indicates that the school would likely need additional revenues to sustain the school at even 150 students. This is primarily due to the programming costs needed to sustain the key elements of the model in addition to facility costs, which are expected to rise for the 2023 – 2024 school year as the school occupies more space in its current building.

Lastly, the school has suffered several departures at both the school leadership and board level that have and/or will impact the operations and oversight of the school. The former board chair resigned effective Friday, April 7. An additional board member resigned effective Friday, April 14th. The current Executive Director also has also resigned effective Friday, April 28th, and

SPCSA staff was provided a copy of her resignation letter. This is attached to this agenda item and includes the following language:

“At the emergency Board meeting on Monday, April 10th, 2023, the Board did not vote to close the school despite my recommendation to close, the advice of school counsel, insights presented by the SPCSA, and in direct disregard of the facts presented. I find myself in a position as a licensed CPA, Chief Financial Officer, and Executive Director of GEMS, that my fiscal, professional, and personal responsibility to the school no longer aligns with the school Board actions taken on April 10th.”

Legal Authority

As previously noted, GEMS is currently operating under a Notice of Concern within the SPCSA Financial Performance Framework.

Issuance of a Notice of Breach serves as a reminder that the Charter School Performance Framework, which is incorporated into the charter school contract for GEMS, is meant to provide charter school leaders with clear expectations, fact-based oversight, and timely feedback while at the same time protecting charter school autonomy. Under the Charter School Performance Framework, a Notice of Breach represents Level 2 in the Authority’s Intervention process. While SPCSA staff hopes that GEMS will be able to remedy these issues without further intervention by the Authority, it is important to note that Level 3 in the process is a Notice of Intent to Terminate, and that a State Public Charter School Authority-sponsored school entering this level may result in Charter School Contract termination proceedings being initiated NRS 388A.330.

Analysis and Staff Recommendation

As the Authority is aware, financial viability is critical to the overall success of any public charter school. In the event that a school endures financial hardships, such as lower than anticipated enrollment, the school can show signs of financial distress. In such cases, the school must quickly respond to meet these challenges and work quickly to improve the financial position of the school, likely through increased enrollment and/or securing additional funding sources to help overall revenues.

SPCA staff would be remiss to ignore the efforts of the school’s board, leadership and staff to address this problem to date. The school has been awarded a Charter School Programs (CSP) grant, and has identified creative solutions to ensure viability through the end of this year. Additionally, the school has made consistent attempts to increase enrollment since its inception in 2020. Nevertheless, the school has been chronically under-enrolled since it opened for the 2020 - 2021 school year.

It is also noteworthy that as of late 2022 when the school’s most recent reduction to enrollment was approved, the school was preparing to embark on an enrollment campaign to meet targets for the 2023 – 2024 school year. Information and data shared with SPCSA staff indicate that these efforts have been largely unsuccessful. It is SPCSA staff’s understanding that current enrollment

for the 2023 – 2024 school year is approximately 70 students, which comprises 60 students likely to be retained plus 10 new students. Stated another way, the school would need to more than double its enrollment in less than 120 days to meet its target enrollment of 165.

To date, the school has also shared that no financial partners/benefactors have been identified for a short-term solution. This appears to be increasingly critical due to rising fixed costs without corresponding increases to enrollment.

Lastly, and in addition to these significant obstacles, multiple members of the school’s governing board have resigned within the last three weeks, and the Executive Director has also submitted her resignation to be effective at the end of April. In totality, this leaves the board with six members, three vacant seats and no school leader.

As a result, SPCSA staff finds that closure at the end of the 2022 – 2023 school year to be the best path forward for the school’s students at this time given the host of issues – both short and long-term – facing the school. Historical data suggests that schools attempting to enroll a significant number of students over the summer tend to fall short of their enrollment target. To date, the SPCSA has not received a timebound, clear plan forward to hit their enrollment target and/or reduce expenses. This reality is exacerbated by the recent resignation of the school’s governing board chair as well as the school’s Chief Executive Officer.

Ultimately, it is not clear that the school has sufficient capacity to remain viable beyond this academic year, and additional information and evidence is needed to demonstrate sustainability. The school appears to be on a fairly solid academic trajectory, but this is just one of many critical elements that must be in place to sustain a quality charter school. Staff’s recommendation is due, in large part, to the chronically low levels of student enrollment and the school’s inability to secure significant financial support from philanthropic partners, both of which have resulted in a precarious financial position for the school that makes it extraordinarily difficult to sustain operations beyond the end of the current school year.

Staff recommends that the Authority:

- *Issue GEMS a Notice of Breach due to the impending financial impairment of the school,*
- *Require the school to submit a board-approved Viability Plan to demonstrate how the school plans to sustain operations for the remainder of FY23 and for FY24 which must include:*
 - o *Evidence of enrollment and confirmation of facility costs to support the school’s tentative FY24 budget required under NAC 387.720*
 - o *Evidence of secured philanthropic funding necessary to offset any projected revenue shortfall; and*
- *Direct the school leadership and governing board representation to meet and confer with SPCSA staff to discuss the requirements and expectations of the Viability Plan.*

SPCSA staff will review the submitted Viability Plan and provide the Authority with a recommendation regarding the future of the school¹.

Proposed Motion:

Issue a Notice of Breach under the Financial Performance Framework to GEMS, and require the school to develop and submit a Viability Plan by April 25, 2023 that includes at minimum the school’s tentative FY24 budget, evidence of enrollment, confirmation of facility costs, and any evidence of necessary philanthropic funding to demonstrate how the school plans to sustain operations through June 30, 2024. Designate Director Feiden and Director Modrcin to meet and confer with the GEMS leadership and board to discuss the requirements and expectations of the Viability Plan.

The current GEMS enrollment cap for its charter term is:

School Year	2022-23	2023-24	2024-25	2025-26
Grade Levels	6 th – 8 th	6 th – 8 th	6 th – 8 th	6 th – 8 th
Total Enrollment	100	165	190	215

¹ The last day of school for GEMS is May 19, 2023, the same day as the next scheduled Authority board meeting. While SPCSA staff hopes that GEMS will be able to remedy these issues without further intervention by the Authority, should the school fail to submit Viability Plan that is approved, the Authority may take action to close the school. Closure requirements, processes and procedures set forth in NRS 388A.306, NAC 388A.355, as well as other relevant statutes and regulations require certain notifications, a plan for closure, and other obligations. It is critical that this process starts before the end of the GEMS academic year, and as a result, may require that the Authority hold a special meeting prior to May 19.

School Demographics since 2020 – GEMS

Year	Enrollment	A	B	C	H	I	M	P	IEP	ELL	FRL
20-21	96	4.1%	18.7%	6.2%	65.6%	0.0%	3.1%	2.0%	11.4%	17.7%	>95%
21-22	103	2.9%	26.2%	6.7%	52.4%	0.0%	9.7%	1.9%	17.4%	21.3%	>95%
22-23	92	2.1%	26.0%	2.1%	56.5%	0.0%	10.8%	2.1%	13.0%	22.8%	>95%

A – Asian

B – Black–

C – Caucasian

H – Hispanic

I – American

Indian/Alaskan Native M –

Two or more races

P – Pacific Islander

IEP – Individualized Education Plan – A student with a disability/special education student

ELL – English Language Learner

FRL – A student who qualifies for Free or Reduced-Price Lunch

* - Suppressed data due to n-count

GEMS Financial Performance

2022	Notice of Concern
2021	Meets Standard

GEMS Organizational Performance

2022	Meets Standard
2021	Meets Standard

Nevada School Performance Framework (NSPF) – GEMS (Formerly GALS)

Year	NSPF Ratings
2021 – 2022 Index Score	MS: 47.5
2020 - 2021²	Not Rated
2019 – 2020³	Not Rated

GEMS 2021-22 SPCSA Academic Performance Results⁴

	2021-22 SPCSA Academic Framework Score	2021-22 SPCSA Academic Framework Rating
Middle	58.5	Meets Standard

² Due to COVID-19, the Nevada Department of Education (NDE) applied for and was granted a 2020-21 school year waiver from the U.S. Department of Education for certain requirements established by the Every Student Succeeds Act (ESSA). Nevada statewide assessments were administered in the 2020-21 school year, but the NDE did not calculate new Nevada School Performance Framework (NSPF) school ratings for the 2020-21 school year.

³ Due to COVID-19, the Nevada Department of Education (NDE) applied for and was granted a 2019 – 20 school year waiver from the US Department of Education for certain assessment, accountability, school identification, and reporting requirements established by the Every Student Succeeds Act (ESSA). Accordingly, for the 2019 – 20 school year, Nevada statewide assessments were not administered and the NDE did not calculate Nevada School Performance Framework (NSPF) school ratings

⁴ The Nevada Department of Education (NDE) calculated NSPF index scores for the 2021-22 school year but did not calculate corresponding star ratings (shown as N/A). 2021-22 NSPF details and rules can be found at: <http://nevadareportcard.nv.gov/DI/MoreDownload?filename=Nevada%20School%20Performance%20Framework%20Manual%202021-22%20School%20Year.pdf>