

*Matthew Shaw*

## Navigating the Closure Process

“All of those who embark on this perilous journey of hope deserve our deepest gratitude and respect for embracing this challenge with courage, persistence, and good faith. But these virtues alone are not enough. Charter schools are not supposed to rest on good intentions and earnest effort; they are supposed to achieve meaningful results demonstrated by a sound body of evidence over the charter term. Charter schools that cannot deliver on that promise, either to their students or the broader public, need to be closed. This is the unpleasant but imperative responsibility of authorizers.”<sup>i</sup>

— James A. Peyser and Maura Marino. “*Why Good Authorizers Should Close Bad Schools*”

Charter school closure, though sometimes challenging and emotionally charged, is an essential aspect of the charter school movement. The purpose of this Issue Brief is to provide a practice-oriented resource for authorizers and other charter school stakeholders to navigate the closure process after the decision to close a school has been made. For additional information on charter school closure, please refer to NACSA’s *Accountability in Action: A Comprehensive Guide to Charter School Closure*, available for download at [www.qualitycharters.org](http://www.qualitycharters.org).

We have witnessed the impact of the closure of traditional schools across the country and have seen how challenging closures are for the students, parents, staff, and community of a closing school. When faced with possible school closure, stakeholders often fight to keep a school open regardless of the academic performance of the school. School closure displaces students and disenfranchises parents, who have little or no say in the decision.<sup>ii</sup> This is especially true of charter schools. Students do not land at charter schools by default; they, or their parents, choose to enroll in a charter school and, as a result, have a vested interest in seeing that the school they chose remains in existence.

When an authorizer decides to close a school through revocation or non-renewal, it puts itself at odds with the school’s stakeholders, especially the parents and students. Just as charter schools provide autonomy for school leaders, they represent choice for parents and students. School closure supersedes parents’ choice and leaves them powerless to effect change in any manner other than fighting for their school to remain open.



## Stakeholders and Closure

In order to navigate the closure minefields, the authorizer must understand why the process is painful for each stakeholder and anticipate the information that each stakeholder group will need throughout the school's wind-up. During the closure process, the authorizer will encounter the effects of pain and uncertainty as it hears from angry, anxious constituents. In particular, the authorizer should anticipate the following:

- **Students will be displaced.** They will lose the relationships that they have developed with adults and other students at the closing school. They will want to know where they are going in the following school year and what choices they will have to continue their education. Students who are invested heavily in their school may also face morale issues, taking the failure of the school personally, especially if the closure is due to academic performance.
- **Parents will be concerned about where their children will attend school.** They will likely feel powerless and angry that the school they explicitly chose will no longer be available for them. Parents will want to know what their options are and how they get their children in to good schools. Parents may also become skeptical about charter schools as a viable option for their children's education, or blame the authorizer for not stepping in sooner to prevent closure.
- **Staff will be worried about losing their jobs.** They will be concerned about getting paid through the end of the year and will have questions regarding their benefits and pensions. They may look for other jobs mid-year, which would leave the school in a precarious position since the school cannot easily replace teachers once the closure decision is made. Finally, the impending closure may crush their motivation, leading to sub-optimal instruction. While the staff are not the responsibility of the authorizer, the authorizer may have to coach the school in managing its staff during the closure process.

- **Leaders/Founders are emotionally invested in the school.** They are watching their creation die and will likely react strongly to the closure decision. Even if the board of directors agrees with the closure process, the school leader may not. It is extremely important to engage the leaders in the closure process and obtain their buy-in for closure activities. A disengaged and disenfranchised school leader can have a toxic effect on the school.
- **Board members, like the school leaders, are invested in the school emotionally and often, financially.** The closure can leave the board frustrated and disappointed, and, as a result, uncooperative throughout the process. Board members may be concerned about their reputations and will most certainly feel burdened with a failing organization. As discussed below, the board's buy-in and active participation in the school closure activities will have a significant positive impact, ensuring that students and parents are well supported.

Additional stakeholders who will be impacted by the closure and may require the attention of the authorizer include:

- Community members who may view the school as a beacon in the community, especially if there are no other quality school options in the neighborhood;
- Receiving districts or schools, who must absorb displaced students;
- Government agencies, which must be involved due to state statute, regulation, or the charter agreement; and
- Other public and private entities, which will need reports and/or data from the school prior to or just after closure.

## Successful Closure Planning

“For many parents who exercise it, school choice is a lifeline—a critical chance to realize their hopes and dreams for their children. Unfortunately, not every charter school fulfills its mission and promises to the community, and, as a consequence, some schools must be closed.”<sup>iii</sup>

— Justin Testerman “Supporting Students and Families”

Strong authorizer management can mitigate stakeholder pain. A well-orchestrated closure can maximize other schooling options for parents and minimize disruption for students while ensuring that public funds are used

appropriately. There are three types of charter school closures: the charter holder relinquishes the charter, the authorizer revokes the charter, or the authorizer opts not to renew the charter. While these types of closures have their unique challenges, the authorizer's approach should be similar for each one. There are six steps that an authorizer can take before and immediately after the closure decision has been made that will help to ensure a successful process.

### 1. Partner with the school leadership

Once the closure decision has been made, the critical first step is to meet with the board of directors of the school. The school's board of directors will manage most of the activities associated with the school's closure. The relationship that develops between the board and the authorizer will dictate, in large measure, how amicable the closure process will be. It is in the authorizer's best interest to meet with the board within 24 hours of the closure decision to establish that the authorizer is available to help the board manage the closure process. It is essential to arrive at this meeting with a closure process in hand that outlines the specific responsibilities of the board and the authorizer. In many instances, the board accepts that the closure decision has been made and welcomes the guidance and support of the authorizer. However, the authorizer must hold this meeting and inform the board of its responsibilities, even if the board is uncooperative or is fighting the school closure.

There are several key aspects of the partnership that will help to make the closure run smoothly. Among the most important is that the school and authorizer work in a coordinated effort to support students and parents as they search for schooling options for the next school year. This collaboration will instill confidence that the school and the authorizer are committed to helping students and families in their new school searches. Partnering with the board of directors also helps to ensure that the school and the authorizer are consistent in their messaging, which in turn eases the anxiety, mistrust, and confusion that many parents will experience. A collaborative relationship will allow the school to define the areas in which it needs the support and guidance of the authorizer. Collaboration will also make it easier for the authorizer to monitor the school's progress with the closure requirements.

One critical outcome from the initial meeting with the board of directors is the creation of a transition team or wind-up committee to prepare for closure. The team will include a main point of contact for both the school and authorizer, as well as other individuals from the school who have financial, legal, and school administration experience. This team may

also include staff, parent, and community representatives. The board should identify the charter school's members of the team and schedule a strategic planning meeting within the first 24–48 hours after the closure decision. The goal of the transition team's initial meeting is to review the closure plan, assign responsibilities to team members, and set deadlines. This team should meet weekly to discuss the status of wind-up activities.

### 2. Be aware of timing considerations

There are many considerations that should impact the timing of school closure decisions and announcements. Ideally, decisions are made early enough in the school year to allow students to become informed about and to apply for other schools of choice, including charter, magnet, and private schools. However, there are unintended outcomes related to announcing a closure decision too early in the school year. Announcements of school closure often result in diminished teaching and learning. In fact, the *Consortium on Chicago School Research* found that the announcement of a school closing negatively impacted academic achievement for the remainder of the school year.<sup>iv</sup> In addition, if a closure decision is announced at the beginning of the school year, teachers may pursue other jobs, leaving vacant positions that will be hard to fill. There is also a risk of a student mass exodus. Dramatic changes in enrollment could have a significant impact on school finances, which in turn could force a school to close its doors mid-year. There is tension between giving parents the time to make choices for the upcoming year and providing students with a high-quality education for the remainder of the school year. However, it is most important to notify parents prior to the schools of choice application deadlines whenever possible.

Authorizers have a tremendous amount of control regarding the timing and announcement of a school closure. Since the closure decision is often related to a charter renewal or school evaluation process, the authorizer should plan these activities with the ideal closure announcement date in mind. While there is no clear right or wrong decision regarding timing, the authorizer should make its decision in the context of what is best for students and parents.

### 3. Develop a plan prior to the closure decision

A clear and detailed closure process is one of the most critical success factors. The closure plan will delineate which parties are responsible for the myriad activities that start as soon as the closure decision is made and continue through the fall of the following school year (in some cases there is a longer timeframe). A strong plan will serve as

*Authorizing Matters Issue Briefs* are a publication of the National Association of Charter School Authorizers (NACSA), the trusted resource and innovative leader working with public officials and education leaders to increase the number of high-quality charter schools in cities and states across the nation. NACSA provides training, consulting, and policy guidance to authorizers and education leaders interested in increasing the number of high quality schools and improving student outcomes.

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a blueprint that provides transparency and direction to a group of emotional, confused, and angry stakeholders. The plan will establish key dates and milestones for the work associated with the school closure. It is important to remember that charter school closures are much more complicated than the closures of traditional schools. When a traditional school closes, the school district absorbs the vast majority of the complex issues. This is not the case for charter schools. Most of the time, the primary role for the authorizer is to oversee the process and support the charter school with certain specific closure activities. Unlike a school district closing a traditional school, charter school authorizers should not assume any of the school's operational responsibilities.

Charter school closures are often further complicated because they are accompanied by corporate dissolution.<sup>v</sup> A sound closure plan considers three distinct periods: the first weeks immediately following the announcement, the remainder of the school year, and the period after the end of classes.

#### The closure plan should include:

- Notifications to all stakeholders, including parents, students, community members, the press, funders, creditors, debtors, contractors, receiving schools or districts, and state education agencies;
- Creation of a closure team that includes a project manager from the authorizer and one from the school, as well as individuals with expertise in law, finance, and school administration;
- Detailed instructions regarding the treatment of student records;
- Detailed instructions regarding the treatment of corporate records;
- Financial reporting requirements (note, these may differ from the “normal” reporting requirements);
- Treatment of debtors, creditors, and assets;
- Development of a post-end-of-classes plan that addresses the corporate activities that must occur, such as closing bank accounts, terminating staff, and making final tax payments; and
- A process for protection and disposition of assets.

There is a tremendous amount of activity for both the authorizer and the school that should occur in the first days and weeks following the announcement. These activities should focus on:

- Initial written notification to stakeholders;
- Preparation of a press release;
- Development of talking points for different constituencies;
- Meetings for parents, staff, and the community; and
- Provision of detailed financial information to the authorizer.

It is important that the notification of different stakeholders occur concurrently and within the first 24–48 hours after the closure decision has been made. This will help to stave off rumors and misinformation.

The middle period requires a significant amount of work for the school and monitoring for the authorizer. During this timeframe, the school should be actively working to support student placement for the following school year and securing student records. In addition, the school must use this time to work with creditors, debtors, and other business interests while preparing for the wind-up period after the end of classes. The school should also continue to provide faculty and parents ongoing information on a regular basis through meetings and written communications. Finally, the school should continue instruction and operate the strongest education program possible. Although the authorizer is not responsible for the staff, it should work closely with the school's board of directors to support the continuation of high-quality instruction through the end of the school year.

During the post-end-of-classes period, the key activities should focus on student records; corporate records; asset liquidation; preparation of any and all reports due to the local, state, and federal governments; and final agreements with creditors and lenders. In addition, the school must finalize all financial activity to prepare for and execute the audit. The school should also provide parents with final report cards, transcripts, and the contact information for a student records custodian. All wind-up activities should be carefully documented and provided to the authorizer.

#### 4. Anticipate the need for authorizer personnel

School closures are incredibly time consuming for authorizers and may require hiring external individuals. As mentioned above, the authorizer should assign a project manager to lead the team and serve as the information hub and single point of contact for the authorizer. The project

manager can be a member of the staff or a third-party consultant. This role requires coordination between the authorizer, parents and students, the community at-large, the receiving district, the state education agency (SEA), and the school. The project manager will need access to legal counsel, financial personnel, and public relations experts during the course of the closure process. A smooth and well-organized closure could require several days a week of the project manager's time, while a contentious closure could easily require the project manager's full-time attention as well as a significant amount of time from the authorizer's lawyers. When a school closure is battled out in the press, the authorizer's public relations personnel or consultant will have to invest a substantial amount of time as well.

The project manager will monitor the closure process against the benchmarks established in the closure plan to ensure that the school is taking the necessary steps to meet stakeholder needs and prepare for the wind-up of activities. If possible, the project manager should be onsite at the school regularly to gauge progress; take pulse of the students, faculty, and administration; be available to answer questions; and demonstrate that the authorizer is a partner in the process. The school's stakeholders often view the authorizer as a wrongdoer that has betrayed their trust. A physical presence helps to address this perception and facilitate a successful end of the school year. In cases where the school is not fully compliant with the work plan (or does not have the capacity to complete the tasks), the authorizer may need to step in and offer assistance in a select set of areas, including assistance with student transition, securing student records, and inventorying assets.

The project manager must have the financial acumen or rely on financial personnel to assess the school's ability to remain open for the remainder of the school year in order to avoid a mid-year closure. While there are a few situations that warrant mid-year closures, they should be avoided whenever possible as they cause tremendous distress and anxiety to families and interrupt instruction. School finances are one of the root causes of mid-year closures. A school that runs out of money and cannot meet payroll cannot stay open. If the authorizer is actively reviewing the school's financials, there is no reason for the authorizer to be caught off guard with an unexpected mid-year closure. As a part of the closure plan, authorizers should require an immediate assessment of the school's finances, its obligations to creditors, and its anticipated receipts from debtors. The school should prepare financial statements, a year-to-date budget-to-actual analysis, and a cash flow plan for the remainder of the school year. These should be updated and reviewed monthly through dissolution.

#### 5. Develop a communications plan

The communications plan should be created in advance of the decision to close a school. It is extraordinarily important to maintain a clear and consistent message, especially to the parents, students, school officials, and the press. Rumors and misleading information about regarding school closures. A coordinated communications plan will help to ensure that the same information is provided to all stakeholders, which in turn will reduce their confusion and minimize anger and anxiety. To this end, communications with stakeholders should occur frequently through the end of the school year. The initial communications plan should focus on the first notifications to stakeholders as well as the communications during the two to three weeks following the announcement. The plan should include immediate action on several levels:

- Identify the project manager or another key player as the primary spokesperson regarding the closure process;
- Identify the school's primary point of contact for closure communications;
- Distribute contact information to stakeholders;
- Draft talking points for delivery to different stakeholders;
- Prepare a press release; and
- Write a letter to parents and school staff that explains why the school is being closed, outlines the transition plan, and establishes the date for at least an initial parent meeting.

This initial plan should focus on the near term, as it will inevitably need to be adapted as events unfold. After the first week following the announcement, the transition team should further develop the communications plan through the end of the school year.

#### Initial Notifications

To the extent that the school is fully cooperating with the authorizer, it is ideal for the initial letter to parents to come from both the school and the authorizer, as this will instill trust and confidence. When the school and authorizer are implementing the communications plan in tandem, they should determine which party will address each stakeholder. In general, the school administration/board of directors should be responsible for communications with staff, funders, partnering agencies (public and private), the charter management or education management organization (if applicable),

as well as corporate contacts such as creditors, debtors, contractors, lenders, insurance agents, benefits providers, and pension agencies. The school and authorizer should jointly notify parents, students, state and local education agencies, the community at-large, and other government partners. All written communications regarding the school closure should be copied to the authorizer.

If the school is not complying with the closure plan, it is important that the authorizer communicate directly with families. Authorizers should include a provision in the charter contract that clearly establishes communication channels with parents in the event of a school closure decision. This will ensure that the authorizer can immediately contact parents whether or not the school complies with the closure plan. In this situation, the authorizer's basic message should not change; however, it is important to recognize that in this situation, parents and community members are likely receiving conflicting information. In fact, the school may organize parents and other community members to fight to keep the school open. In this circumstance, the authorizer must be prepared for a significant level of media interest as well as parental resistance to any type of transition plan. If the parents challenge the closure decision they are likely hoping that the school will remain open and not looking at options for the following school year. It is imperative that the authorizer addresses the reasons for closure and provides information regarding transition options, regardless of the parents' position vis-à-vis the school closure. The authorizer's initial letter to parents should accomplish four things:

1. The authorizer should convey to families that their individual and collective needs are the top priority of the authorizer.
2. The letter should explain why the school is being closed. This should be an objective, fact-based account that includes a description of the authorizer's responsibility to hold schools accountable according to their charter agreements.
3. The authorizer should outline the transition plan for students. This plan should include an explanation of the supports that the authorizer is putting in place for parents and students, as well as a set of forums to discuss educational options for the following year. It should also include contact information for the authorizer's project manager.
4. The letter should provide a detailed timeline of activities related to the school closure as well as the application, selection, and transition to a new school.

## Subsequent Communications

The authorizer and school should prepare a follow-up to the initial notification letter to parents within the first few weeks after the announcement is made. The second letter should provide more detailed and practical information such as the last day of classes, cancellation of summer school, information regarding student records, and dates for meetings and school fairs, as well as school choice information. Please note that the charter school is responsible for preparing a similar transition letter to the staff as well as any and all communication with vendors, debtors, creditors, and other partners.

The authorizer should plan to hold a series of meetings and school fairs for parents and the community. These meetings will provide parents and community members with the chance to ask questions about the closure and the transition planning for the next school year. It is important to note that the meetings should be informational, not political. The authorizer should make certain that parents and other stakeholders understand that the meetings are not a forum for discussing the rationale for closing the school or an opportunity for parents to protest the closure decision. As discussed, the timing of the closure announcement should provide ample opportunity for parents and students to learn about and apply to other schools of choice. A school fair should include officials from the receiving district schools, magnet or other district schools of choice, charter schools, and private schools. At these meetings, the authorizer should distribute applications, contact information, and literature from these potential receiving schools.<sup>vi</sup>

The authorizer should monitor and review the school's communications to verify that all stakeholders have been contacted and that the requisite information has been included. If there are any gaps the authorizer should prompt the school to reach out to stakeholders as necessary. It is important to note that the authorizer should not take on the responsibility of formally contacting the school's vendors or creditors, as this may create legal problems for the authorizer.

## 6. Require an escrow account

Schools that are closing are often in financial distress and have few or no assets at the end of the school year. This is a problem, as there are significant expenses associated with the wind-up activities, the final audit, and corporate dissolution. Many authorizers require an escrow account in order to ensure that funds are available for these activities. For example, State University of New York's (SUNY) Charter Schools Institute requires that \$25,000 be placed in escrow for each of the first three years of

operation. Should the school close, the \$75,000 escrow is used for audit and legal fees, and bankruptcy fines. According to Ralph Rossi, the vice president and general counsel to the SUNY Charter Schools Institute, these funds are usually used in full during a school closure process.

## School Wind-Up Process

For the most part, the school's board of directors should engage in all activities that take place during the wind-up process. As discussed above, the authorizer may become directly involved in the student transition supports but should work behind the scenes in other areas. The authorizer's job is to monitor the school's progress against the benchmarks established in the closure plan. This is a time-consuming and critical task. The authorizer should make sure that the school is positioned to provide high-quality instruction for the remainder of the school year. This requires the school leaders to actively manage the finances, provide staff members with detailed information regarding final payments and benefits, and keep the students engaged. Additionally, the school should be preparing student and corporate records for closure.

Among the most important functions during this timeframe is oversight of the school's financial wind-up activities. The authorizer should make certain that the school has appropriately notified all debtors and creditors, and terminated all contracts. Furthermore, the school must have an up-to-date inventory and a plan in place for liquidating fixed assets. The assets purchased with state or federal funds should be identified separately and disposed of according to the applicable government requirements. The school should be required to prepare a monthly cash flow projection through the end of the fiscal year, which includes all essential expenditures including payment in full for staff, payroll taxes, pension funds, and benefits. The cash flow projection should also take into account any lost revenue related to decreases in enrollment as well as any overpayments from the state or school district that must be returned. Monitoring these activities will require monthly reviews and ongoing dialogue with the school's business officials. The authorizer needs to have confidence in the projections in order to know with certainty whether or not the school will remain open through the end of the school year. Authorizers should not be involved in negotiations with creditors and should not make any decisions regarding which creditors get paid prior to speaking with legal counsel about possible liabilities.

If the school is not making adequate progress according to the closure plan, or is not providing sufficient documentation, the authorizer may wish to use remaining school payments as leverage. The authorizer may opt to

directly withhold payments and/or work with the state to withhold payments as allowable in the charter school contract.<sup>vii</sup> If payments are made quarterly or semi-annually, the authorizer may also seek to shift to monthly payments. This will provide a more significant degree of control to the authorizer. As with the entire process, it is important to be transparent with any action that changes the way the school will receive funds.

Securing, preparing, and distributing student records represents another area where the authorizer can become directly involved in the process if necessary. Ideally, the school should complete this work shortly after the last day of classes. Proper management of the student records is necessary for students to smoothly transition to their new schools. This task can be incredibly time consuming and, if the school does not prepare the records for transfer, the authorizer may find itself with no choice but to take on this responsibility. The treatment of student records must adhere to the Family Educational Rights and Privacy Act, as well as to any state or local laws or regulations. Furthermore, there should be a clearly detailed process for transferring the student records to receiving schools, the local or state education agency, or the authorizer. Documentation of the transfer of student records should be sent to the authorizer. A word of caution: while the authorizer can work with student records, it should not work with or take responsibility for the corporate records, as this may create legal problems down the road.

## Conclusion

School closure is difficult for all stakeholders, including the authorizer. However, the authorizer, in conjunction with the school leadership, has the opportunity to orchestrate a smooth, successful closure. Even when the school is actively fighting the closure decision, the board of directors and the authorizer should be able to find common ground by agreeing to make students' and families' needs the number one priority. A school that is fighting the closure process should be encouraged to advise its students to apply to other schools to ensure that they have educational options for the following year, if the school's appeals are unsuccessful. Putting students and families first entails keeping the school open through the end of the school year, assisting students and parents in exploring and applying to new schools, and securing the student records. If these three conditions are met, the school closure process should be considered a success.

For additional resources to aid authorizers in the closure process, including *NACSA's Accountability in Action: A Comprehensive Guide to Charter School Closure*, please visit [www.qualitycharters.org](http://www.qualitycharters.org).



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## ENDNOTES

- i James A. Peyser and Maura Marino. "Why Good Authorizers Should Close Bad Schools." In *Accountability in Action: A Comprehensive Guide to Charter School Closure*, edited by Kim Wechtenhiser, Andrew Wade and Margaret Lin. Chicago: National Association of Charter School Authorizers, 2010, p. 9.
- ii Justin Testerman "Supporting Students and Families." In *Accountability in Action: A Comprehensive Guide to Charter School Closure*, edited by Kim Wechtenhiser, Andrew Wade and Margaret Lin. Chicago: National Association of Charter School Authorizers, 2010, p. 39.
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- v Maryland State Department of Education Office of School Innovations. *Charter School Closure: The Authorizer's Role in Ensuring an Orderly Dissolution*, Maryland, 2009, p. 7
- vi Testerman "Supporting Students and Families.", p. 43-44
- vii Testerman "Supporting Students and Families.", p. 41

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