



TO: Tennessee Public Charter School Commission

FROM: Tess Stovall, Executive Director

DATE: March 22, 2024

SUBJECT: Bluff City High School Amendment Petition

Background

Bluff City High School ("Bluff City" or "BCHS"), operated by Green Dot Public Schools Tennessee ("Green Dot Tennessee") entered into a charter agreement with the Tennessee Public Charter School Commission ("Commission") on April 9, 2021 to operate Bluff City in the Southeast region in Memphis, Tennessee serving students in grades nine through twelve. Green Dot Tennessee contracts with Green Dot Public Schools National ("Green Dot National") for back-office services. Before being authorized by the Commission, BCHS was authorized by the State Board of Education. The school opened in SY17-18, initially serving students in the ninth grade, with subsequent expansion through the addition of a grade level annually, having all grade levels represented beginning in SY20-21. In SY23-24, the school has approximately 447 students. The maximum enrollment under the charter agreement is 535.

In SY21-22, the school went through its five-year interim review and was placed on academic probation due to failing to meet performance targets including state accountability targets and the academic performance framework. Subsequently, the school failed to demonstrate marginal adequate growth and was placed on continued corrective action extending through the SY23-24. In the fall of 2023, Green Dot Tennessee staff became aware of organizational restructuring occurring at Green Dot National that would result in the need for the Tennessee network to shift to a stand-alone entity separate from the national organization. While the Green Dot Tennessee governing board has always been responsible for the school, the amendment requests the official transfer of back-office services from Green Dot National to the Tennessee network level. Green Dot Tennessee will form a local charter management organization ("CMO") that will be responsible for providing back-office services for the Tennessee schools it currently operates. As a local CMO with no affiliation with Green Dot National, the entity will re-name and re-brand itself.

Pursuant to T.C.A. 49-13-110(d), the governing body of a public charter school may petition the authorizer to amend the charter agreement. The Commission is charged with determining the timelines for approval of amendment petitions and the process for reviewing these petitions. Under Commission Rule 1185-01-01-.04, a public charter school may petition for a change in governance structure (including, but not limited to, a change in the nonprofit entity governing the school), or the addition of or changes to the charter management organization. In the case of BCHS, it was determined that the planned restructuring was a material modification to the charter agreement. Upon receipt of an amendment petition, the Commission is responsible for reviewing and scoring the amendment application with the Department of Education's scoring rubric and must act on the petition within sixty calendar days of receiving the petition.¹

Commission staff independently reviewed the amendment petition, attachments, and budgets submitted by BCHS. After the independent review, staff collectively drafted follow-up questions for the operator related to academics, operations, and financial items. BCHS responded to these additional questions on March 7, 2024. The

¹ Tenn. Comp. R. & Regs. 1185-01-01-.04(1)(h).



analysis below is based on materials submitted by the school and the conversations between Commission staff and school representatives.

Analysis

The Commission strives to be a first-in-class authorizer, and we desire to support the charter schools in our portfolio to best set them up for success. Recommendations for approval or denial of each amendment requested in an amendment application will be based on the materials submitted as well as the authorizer's due diligence in accordance with Commission Policy 3.900.

The amendment petition for BCHS details that Green Dot Tennessee, the current operator of BCHS, seeks to separate from the national organization effective July 1, 2024. Green Dot Tennessee has a regional service agreement with Green Dot National, its current CMO, to provide back-office services to the Tennessee region. The need to terminate the agreement is a result of Green Dot National dissolving as of June 30, 2024, and this amendment allows the local network to assume back-office services locally and evolve into a Tennessee region, ultimately creating more local autonomy and structures. Both Green Dot Tennessee and Green Dot National are working together on the separation and understand the importance of a smooth transition to ensure the future operational success of BCHS and other schools operated by Green Dot Tennessee.

The Tennessee Department of Education's amendment petition scoring rubric lays out the characteristics of a strong amendment petition, and it is on these characteristics that this recommendation is based. Within the amendment petition, the school outlines how the amendment aligns with the school's mission and goals, as well as how it supports the best interest of the students. This is evidenced by allowing the network to become a more Memphis-based organization that can be agile and respond to the specific needs of the community and the students. Further, the school believes that this amendment creates opportunities for more sustainable pathways for BCHS students through regionally focused college and career readiness. The amendment petition allows Green Dot Tennessee to rebrand to become a Tennessee-based CMO that is fully devoted to Tennessee-based academic standards and initiatives. The amendment outlines how school sites will receive additional resources because of more centralized services and regional programming.

Moreover, the amendment petition provides a detailed budget that explains the financial impact of the proposed amendment, explaining the shift in costs from Green Dot National to Green Dot Tennessee. While the financial projections incorporate optimistic enrollment trends, the school presented contingency plans should enrollment projections not materialize, or additional schools operating by the network cease operations. The operator understands the importance of financial modeling and conservative budgeting practices to ensure continued financial solvency. Lastly, the amendment petition presents a detailed timeline for addressing the operational impacts of the proposed amendment and incorporates the methods in which support from staff, parents, and the community will be garnered through the transition of services from the national to the local level.

It is important to note that Green Dot National is dissolving as of June 30, 2024, and as such, Green Dot Tennessee has no alternative other than to become a new CMO responsible for overseeing the day-to-day operations of the Tennessee-based schools. While this recommendation is to support the plan to move forward with the restructuring and rebranding of the school based on the reasons explained throughout the recommendation, given the organization's academic struggles, Green Dot Tennessee must ensure continued operational success and stability to assure its ability to remain open in the long term. Without a smooth transition from a national to a Tennessee-based network, I fear the eventual closure of schools will not only become necessary but unavoidable.

1. Alignment of proposed amendment with the school's mission and goals.

The mission of Bluff City High School is “to help transform public education so that all students graduate prepared for college, leadership, and life.” Within the amendment application, BCHS describes how the school will benefit from being operated by a Tennessee-based organization, separate from Green Dot National. The petition states that by becoming a Memphis-based organization, the organization will have opportunities to partner with organizations that are aligned with the school's mission and vision, leading to more sustainable pathways to economic growth for BCHS students through college and career readiness. Termination of the agreement with Green Dot National also allows the network of schools to bring services that have traditionally been provided at a national level into the Tennessee region, forming a more local entity and a brand built around serving Tennessee students. While the Green Dot Tennessee board has always had direct oversight of its Tennessee schools, the removal of authority from Green Dot National from the bylaws of Green Dot Tennessee and a relinquishing of the Green Dot brand will ensure that all resources utilized by the Tennessee network of schools are completely aligned with Tennessee standards and initiatives. The administration of BCHS believes that this will result in more focused instruction for students, particularly for students who require interventions and other support services.

2. Academic results provide compelling support for the proposed amendment.

In August 2022, after BCHS's five-year interim review, the Commission voted to place the school on probation in accordance with the Commission's intervention policy. The probationary notice cites continued failure to meet performance targets including state accountability, the charter contract, or the performance frameworks. Based on a lack of adequate marginal improvements across the improvement objectives set forth in the SY22-23 probationary status, the Commission voted on September 21, 2023 to continue BCHS's probationary status. As such, Bluff City updated the school's improvement objectives for SY23-24 based on the prior year's data, and Commission staff continues to meet with the school leadership team bi-monthly to monitor progress towards meeting the academic goals. The probationary status of BCHS will remain in effect if the amendment is approved, and the school will continue to provide updated data in alignment with the benchmarks outlined in the plan of correction.

As a part of the plan of correction, BCHS compiled improvement objectives to address the following areas needing improvement: cumulative progress toward academic goals, chronic absenteeism, suspension rates, and enrollment trends. The improvement objectives were designed by the school in collaboration with Commission staff and include specific metrics monitoring academic achievement, annual student growth, the percentage of students prepared for postsecondary success, chronic absenteeism, enrollment, and suspensions.

While the petition centers on changes in the organizational structure and is most likely to impact the school's operations, the ability to ensure operational efficiencies ultimately has a direct impact on the delivery of academic programming to students. Moving forward, the newly restructured network will need to continue focusing on improving academic outcomes for students and ensure that, as mentioned within the amendment application, the work involved in restructuring the network does not interfere with the delivery of academic programming for students.

3. Realistic and detailed budget that explains the financial impact of the proposed amendment and clear evidence that the financial outlook of the school supports the costs associated with the proposed amendment.

BCHS provided financial projections for the current and two succeeding fiscal years, assuming approval of the amendment petition. Given that BCHS is of a network, the financial projections incorporated the budgets for all schools currently operated by Green Dot Tennessee such that the overall financial impact and the costs associated with the proposed amendment petition were clear and could be fully evaluated.



The budget submitted within the petition reflects that the overall network continues to operate with positive net income year over year, with each school operating with a budgetary surplus. Additionally, the projected budget incorporates the shared service fee of 14.5% of select revenue, which was developed by the network through research and benchmarking of the CMO landscape. The network determined that this fee was appropriate based on the back-office support services that will be provided by the network. Back-office services that will be transitioned from the national level to the Tennessee network level include finance and accounting, data and IT, human resources, development and advancement, and legal. Within the amendment petition and supplemental questions, Green Dot Tennessee expressed that the overall fee structure will be re-evaluated in FY2025 with the intent that the fee decreases to a lower amount, such as 8%. While the projections provided by the network present a positive financial position, it is worth noting that the financial projections assume that student enrollment will increase across all campuses year over year, with BCHS projecting a full enrollment of 535 by FY2025. BCHS has historically been under-enrolled and as such, the network will need to monitor enrollment closely and adjust revenue and expense assumptions accordingly to reflect the appropriate budgetary amounts.

Additionally, the charter terms of many network schools operated within the Achievement School District (“ASD”) are nearing an end, and, at this point, it is not clear if any of the charter agreements will be renewed. Given this uncertainty, the need for contingency planning to ensure long-term financial sustainability was deemed paramount. The Commission specifically requested the network address whether the CMO could continue to sustain itself, should the network have to close one or two additional schools. The operator responded by stating that the network is creating five-year models with these specific scenarios in mind. With proper right sizing of expenses, the financial models indicate that the network can remain in a positive net position at a two or three school model. Should BCHS become the only operational school, the network would have to change its model from a CMO approach to a single school operator approach, requiring additional downsizing of central office staff and a reorganization of school staff. With three of the four schools operated within the ASD, the Commission will continue to closely monitor the school and network’s financial position to ensure both short-term and long-term financial sustainability.

Each school’s financial performance is evaluated annually, based on the financial performance framework. The financial performance is evaluated based on the school, or in the case of BCHS, the Green Dot Tennessee audit. For the last two fiscal years, BCHS has not met standards. The primary cause for the school not meeting standards is due to the school’s unrestricted days cash on hand not meeting the required thresholds and the network being in default with Nonprofit Finance Fund. The loans are subject to certain covenants and the default occurred due to being placed on academic probationary status and failing to maintain a growth score of 3 or above under the Tennessee Value-Added System. As a part of the supplementary questions, staff specifically asked for an update regarding the default status. Green Dot Tennessee shared that they are actively working with Nonprofit Finance Fund to address their concerns and to address the transition from Green Dot National. The network’s legal counsel has stated that the transition within the amendment petition does not impact the current breach of the loan, nor does the act of separating from Green Dot National and the Green Dot brand does not constitute a breach. The financial position of the network demonstrates financial vulnerabilities given the cash position, lower enrollment amounts, and default. However, the dissolution of Green Dot National is occurring regardless of Green Dot Tennessee’s overall financial position. Based on the balanced budget presented within the amendment, it is concluded that the adjustment in network structure is a path forward and Green Dot Tennessee’s governing board will ultimately be held accountable for ensuring the financial sustainability of the network.

4. Detailed implementation plan with a realistic timeline that addresses the operational impact of the proposed amendment.

Green Dot Tennessee has already begun the transition from Green Dot National and has formed a steering committee comprised of the Green Dot Tennessee's Executive Director, Chief Operation Officer, Chief of Academics, Chief of Schools, Director of Finances, and the Managing Director of People. Each person on the steering committee is responsible for working with Green Dot National to determine the next level of support that Tennessee will need as it relates to finance and accounting, data, IT, human resources, academics, and operations. These teams meet weekly to discuss replacement systems related to these key back-office functions and as a result, have already begun implementation including contracting with ADP for payroll/retirement system provider and Your Part-Time Controller for financial management services. With the regional service agreement with Green Dot National ending June 30, 2024, the Tennessee organizational relaunch is set to occur on July 1, 2024.

Given the significant rebranding and shifting of services from the national level to a local network level, Commission staff followed up regarding specific timelines for notifying personnel, parents, the community, and other stakeholders, with a particular emphasis on ensuring the enrollment is not adversely impacted. At this time, all employees have been notified via email of the upcoming change. The Green Dot Tennessee also held in-person meetings and formed a transition advisory team to ensure employee input regarding academics, student recruitment and retention, mission and vision, hiring, and branding. Green Dot Tennessee will send a letter home to parents, post to social media, and send messages through its communication channels to invite families to a TNReady investment meeting scheduled for April 4, 2024. During this meeting, the Green Dot Tennessee will begin conversations with families regarding this transition and rebranding. Parents and community members will then have an opportunity to sign up for focus groups to discuss the kind of academic programs and school they believe are ideal to prepare students for postsecondary education and the workforce. Additionally, Green Dot Tennessee will use advisory lessons to discuss the change with students after state testing. Currently, Green Dot Tennessee intends to remain focused on the importance of mastery and TNReady and does not want the rebranding to interfere with student academic performance. Lastly, the network will hold a series of parent, student, and community meetings to discuss the changes and receive feedback. Before the July 1 relaunch, Green Dot Tennessee will hold a community "unveiling" to reveal the new logo and organization name.

As a part of the Commission's due diligence in reviewing the petition, the Commission staff had a transparent dialogue with the operator, in which Green Dot Tennessee's administration understood the significant undertaking that the reorganization will be. Particularly, the conversation focused on ensuring that student academics remain insulated from any organizational-level changes and that students remain the priority. This included key topics such as ensuring that Bluff City is fully staffed, teachers are up to date on all license requirements, and resources are prioritized in a manner towards improving academic outcomes. By prioritizing key operational functions, BCHS and the network will be able to ensure the likelihood of continued operational success and stability.

5. Clear evidence of support for the proposed amendment from parents, staff, and community partners.

Over the coming months, the network will continue its work of rolling out the rebranding and shifting from Green Dot National to a Tennessee based network structure. As a part of the process, Green Dot Tennessee has outlined a plan for engaging all levels of stakeholders including staff, families, students, and the community. Green Dot Tennessee anticipates that community support will be strong given the fact that this restructuring will allow the organization to become a fully Tennessee organization, with all resources being able to be fully aligned with Tennessee standards and requirements. Additionally, as a part of the amendment petition, Green Dot Tennessee stated that they understand the importance of a steadfast and dynamic enrollment structure. Green Dot Tennessee believes that they will garner the necessary support to not only maintain and reach their enrollment goals, but that



this amendment provides them the opportunity to reposition themselves in the community, so their schools remain aligned with the communities' changing needs and focus areas. Through the advisory teams that are being created, Green Dot Tennessee believes that support will be seen as they align academics, career technical education opportunities, mentorships, and wrap around services focused on delivering an academic program that meets the community's needs.

Recommendation

Throughout the Commission staff's review of the record of Bluff City High School's amendment application, staff focused on the characteristics of a strong response as defined by the Tennessee Department of Education's amendment petition rubric. The transition of back-office services from Green Dot National to the local level will be arduous and require a great deal of coordination. Though Green Dot Tennessee has no option but to move forward with this amendment petition because Green Dot National is dissolving as of June 30, 2024, the recommendation for approval comes with continued strict oversight to ensure a smooth and accountable transition process for BCHS. This oversight is in addition to BCHS' current corrective action plan, which is a part of its probationary status. Therefore, included in this recommendation is continued tracking and monitoring of the school's enrollment, staffing, financial stability, and operations over the next six months with updates being brought to the Commission at quarterly meetings in July and October 2024. While the administration has demonstrated a clear understanding of the importance of this transition, its success or failure has the potential to impact the organization's ability to operate successfully for the remainder of the current charter term and beyond. Based on this review and additional considerations, Commission staff recommends approval of the amendment petition for Bluff City High School. Upon Commission approval of the amendment petition and the amended charter agreement, if approved, the Commission will permit BCHS to be separate from Green Dot National and operate fully as a CMO at the Tennessee network level.

A handwritten signature in black ink that reads 'Tess Stovall'.

Tess Stovall, Executive Director
Tennessee Public Charter School Commission

March 22, 2024
Date