

Ball State University Charter Schools Office
CONTRACTING WITH EDUCATIONAL MANAGEMENT ORGANIZATIONS

Article I.

I. Introduction

These *Policies for Contracting with Educational Management Organizations* (“Policies”) are effective as of the date set forth above. These Policies shall apply to all charter schools for which Charters are issued or renewed by Ball State University (the “University”) on or after the effective date of the Policies and shall apply prospectively to any existing charter school or organizer that enters into an agreement with an Educational Management Organization (“EMO”)¹ on or after the effective date of the Policies. Failure by the organizer to comply with these Policies may result in the non-issuance of a Charter, or for existing charter schools, the initiation of revocation proceedings under the Charter.

II. Organizer Due Diligence

A. Prior to executing an agreement with an EMO, the organizer must provide evidence to the University that it has performed sufficient due diligence to establish that the EMO has the appropriate financial resources, educational services, and managerial experience to provide the contracted services. Prior to contracting with an EMO, the organizer must obtain sufficient information to conclude that the EMO agreement, on the proposed terms and conditions, is in the best financial and educational interest of the charter school. In connection with such due diligence, and prior to the execution of an EMO agreement, the organizer shall provide, at a minimum, the following information to the University Charter Schools Office:

1. List of all EMO owner(s), directors and officers.
2. Type or form of entity (for-profit corporation, non-profit corporation, limited liability company, etc.).
3. Name of EMO's primary banking institution.
4. Legal counsel for the EMO, and contact information.
5. Accounting firm for the EMO, and contact information
6. A written statement regarding the EMO's experience in providing educational services, the types of educational service to be provided and the EMO's educational philosophy.

B. Members of the board of the organizer and/or the charter school, and employees of the organizer or charter school, and their respective spouses or immediate family members may not have any direct or indirect ownership, employment, contractual or management interest in any EMO that contracts with the organizer or charter school. The Charter Schools Office may formally waive this requirement for persons who have an ownership interest in an EMO that contracts with the organizer or charter school if it concludes that the ownership interest is minimal and such waiver will not violate any applicable laws or regulations.

¹ / "Educational Management Organization" or "EMO" means a service provider that manages or operates a charter school or provides administrative, managerial or instructional staff to the charter school.

- C. The organizer must retain independent legal counsel to review and negotiate the EMO agreement. Legal counsel for the organizer or the charter school must not represent the EMO or principals thereof. The EMO agreement must be an arms-length, negotiated agreement between an informed organizer board and the EMO.
- D. Any proposed EMO agreement (which for purposes of this paragraph includes any proposed amendment thereto) must be submitted to the University Charter Schools Office for review no later than thirty (30) days prior to the proposed date of execution. Earlier submission is strongly encouraged and may accelerate the review process. Together with the proposed EMO agreement, the organizer must submit an opinion letter from its legal counsel, certifying to the University that the organizer has fulfilled its obligations described in these Policies, and that the proposed EMO agreement is in no way inconsistent with these Policies or the Charter. The form attached to these Policies as Exhibit A should be used for this purpose. Unless the University Charter Schools Office Director extends the review period, the University shall notify the organizer within thirty (30) days of receiving the proposed EMO agreement if the agreement or amendment is disapproved. The organizer shall not enter into an EMO agreement that has been disapproved by the University Charter Schools Office. The University reserves the right to disapprove an EMO agreement that it determines is not in compliance with the Charter, applicable law, and/or University policies. By not disapproving an EMO agreement, the University is in no way giving approval of the EMO, the fee arrangement, or any other provisions contained in the EMO agreement.
- E. The organizer's board shall not approve an EMO agreement until all board members have been given the opportunity to review the proposed EMO agreement with the organizer's legal counsel.

III. Organizer's Administrative and Fiduciary Responsibilities

- A. If it negotiates an EMO agreement, the organizer must still budget adequate resources to fulfill its Charter requirements which may include, but are not limited to: negotiation of the EMO agreement and any amendments, oversight of EMO, payment of staff costs, insurance required by the EMO agreement and any lease as well as insurance required by the Charter, financial audits, legal counsel, consultants, recording secretary and any other such cost necessary for the Organizer's operations.
- B. The EMO shall present to the organizer's board, on a frequency established by the organizer's board, a detail of budget to actual revenues and expenditures with an explanation of variances. The EMO shall present to the organizer's board, on a frequency determined by the organizer's board, a detailed schedule of expenditures at object level for review and action by the organizer's board.
- C. The organizer must be informed of the level of compensation and fringe benefits provided to employees of the EMO assigned to the charter school.

IV. EMO Agreement Provisions

- A. No provision of the EMO agreement shall interfere with the organizer's duty to exercise its statutory, contractual and fiduciary responsibilities governing the operation of the charter school. No provision of the EMO agreement shall prohibit the organizer from acting as an independent, self-governing body. The organizer must retain the right to exercise its judgment in accepting or rejecting EMO recommendations and may not abdicate its responsibilities and authority for policy setting, strategic planning, budgeting, the educational program and overall oversight, monitoring and supervision of the charter school.
- B. No provision of an EMO agreement shall alter the organizer's obligation to be the fiscal agent for the charter school as required by law.
- C. EMO agreements must contain at least one of the following methods for paying fees or expenses: (i) the organizer may reimburse the EMO for budgeted and approved fees or expenses upon properly presented documentation and approval by the organizer's board; or (ii) the organizer may advance funds to the EMO for the fees or expenses associated with the charter school's operation provided that documentation for the fees and expenses is provided before ratification or disallowance by the organizer's board. The organizer must retain the ability to disapprove expenditures not within the charter school's approved budget or otherwise approved by the organizer's board.
- D. EMO agreements shall provide that the financial, educational, and other records pertaining to the charter school, whether or not generated or maintained by the EMO, are charter school property, and that such records are subject to inspection and copying to the same extent that records of a public school are subject to inspection and copying under the provisions of the Indiana Access to Public Records Law (IC 5-14-3). All charter school records shall be available, upon request, at the charter school's physical facilities and, except as permitted or required under the Charter and applicable laws, no EMO agreement shall restrict the access of the organizer, the University or the public to the charter school's records.
- E. EMO agreements must contain a provision that all finance and other records of the EMO related to the charter school will be made available to the organizer's independent auditor and to the State Board of Accounts for completion of audits required by law or by the Charter. Such records must be produced in Indiana at the offices of the organizer or at the charter school facility.
- F. The EMO agreement must not permit the EMO to select and retain the independent auditor for the charter school.
- G. If an EMO purchases equipment, materials and supplies on behalf of or as the agent of the charter school, the EMO agreement shall provide that such equipment, materials and supplies shall be and remain the property of the charter school.
- H. EMO agreements must contain a provision that clearly allocates the respective proprietary rights of the organizer or charter school and the EMO to curriculum or educational materials. At a minimum, EMO agreements shall provide that the

charter school owns all proprietary rights to curriculum or educational materials that (i) are both directly developed and paid for by the charter school; or (ii) were developed by the EMO at the direction of the organizer with charter school funds dedicated for the specific purpose of developing such curriculum or materials. EMO agreements may also include a provision that restricts the charter school's proprietary rights over curriculum or educational materials previously developed or copyrighted by the EMO, or curriculum or educational materials that are developed by the EMO from funds from the charter school that are not otherwise dedicated for the specific purpose of developing charter school curriculum or educational materials. All EMO agreements shall provide for disclosure of the EMO's educational materials and teaching techniques and other documents used by or in the charter school in accordance with applicable law, based upon the written opinion of the organizer's legal counsel.

- I. EMO agreements involving employees must be clear about which positions are to be filled by employees of the EMO, and which positions are to be filled by employees of the organizer or the charter school. If the EMO leases employees to the organizer or the charter school, the EMO agreement must provide that the leasing company accepts full liability for benefits, salaries, worker's compensation, unemployment compensation and liability insurance for its employees leased to the charter school or working on charter school operations.
- J. EMO agreements must contain insurance, bonding, and indemnification provisions outlining the coverage the EMO will obtain. The EMO's insurance is separate from and in addition to the insurance the organizer is required to obtain under the Charter and should be appropriate for risk management of the functions delegated to the EMO. The EMO agreement must contain the clause for indemnification of the University by the EMO specified in the Charter and any other clause specifically required to be included in the EMO agreement by the Charter or these Policies.
- K. Marketing and development costs paid by or charged to the charter school shall be limited to those costs specific to the charter school program, and shall not include any costs for the marketing and development of the EMO or other schools operated by the EMO.
- L. The term of an EMO agreement must not exceed the term of the Organizer's Charter.
- M. The EMO agreement must require that the EMO perform all functions delegated to it in compliance with all applicable state and federal laws and with the terms and conditions of the Charter. It must require the EMO to comply with all requirements placed on the organizer and the charter school by the Charter with respect to all services and responsibilities delegated to the EMO. The Charter must be incorporated by reference into the EMO agreement and the agreement must provide that any provisions in the EMO agreement that are contrary to or conflicting with the Charter shall be superceded by the terms and conditions of the Charter.
- N. The EMO agreement must not include payment or financial arrangements inconsistent with the non-profit status of the organizer.

- O. The EMO agreement shall include requirements for reports on budgeted versus actual expenditures and the overall financial condition of the charter school, as well as performance reports on the educational program operations from the EMO at public meetings of the organizer held in accordance with the Indiana Open Door Law (IC 14-1.5). The EMO agreement shall not permit activities to be conducted by the EMO in any manner that is inconsistent with the statutory requirement that the charter school comply with the Indiana Open Door Law.
- P. The EMO agreement must not permit the EMO to further subcontract the management, oversight or operation of the teaching and instructional program.
- Q. If the EMO will perform administrative services for the charter school, the EMO agreement must require that the EMO maintain administrative offices in the charter school facility or within the limited radius of the charter school facility required by the Charter.
- R. The EMO agreement may not limit the manner in which the organizer or the University may construe applicable laws in determining whether charter school operations and administration as conducted by the EMO are in compliance with such laws.
- S. The EMO agreement must require the EMO to provide to the organizer and/or the University such reports and information in addition to such access to any books and records (financial or otherwise) and access to personnel, facilities and operations pertaining to the charter school as may be required for the organizer to comply with the terms and conditions of the Charter and the law. Pursuant to the Indiana Charter Schools Law (IC 20-5.5), any records provided by the charter school to the Department of Education or to the University that relate to compliance by the operator with the terms of the Charter or applicable state or federal laws are subject to inspection and copying under the Indiana Access to Public Records Law (IC 5-14-3).
- T. The EMO agreement must require the EMO to cooperate and participate in any corrective action plan approved by the University to remedy any breach of the Charter that in any way involves services provided by the EMO.
- U. The EMO agreement must not permit the EMO to assign the agreement in whole or in part without the prior written consent of the organizer. The organizer must conduct due diligence with regard to the proposed assignee, as described in Section A.1 and ensure against any conflict of interest as described in Section A.2 of these Policies. The organizer shall not consent to such an assignment if the organizer's due diligence does not provide evidence that the proposed assignee has the appropriate financial resources, educational services, and managerial experience to provide the services contracted under the EMO agreement.

V. The EMO agreement must not permit termination without cause by the EMO effective other than at the end of a charter school academic year.

V. Lease and Loan Agreement Provisions

If the organizer or charter school intends to enter into a lease, execute promissory notes or other negotiable instruments, or enter into a lease-purchase agreement or other financing relationships with the EMO, then such agreements must be separately documented and not be a part of or incorporated into the EMO agreement. A breach of any such other agreement must not be deemed a breach of the EMO agreement.

EXHIBIT A

[Date]

Director
Charter Schools Office
Dean's Office – Teachers College
Ball State University
Muncie, Indiana 47306

[Name of Organizer]
[Address]
[Name of City], Indiana

Re: [Name of Charter School] Educational Management Organization (EMO)
Agreement with [Name of EMO]

Ladies & Gentlemen:

In my capacity as legal counsel to [Name of Charter School Organizer] (the "Organizer"), I have represented the Organizer in connection with the proposed Educational Management Organization Agreement between the Organizer and [Name of EMO]. As legal counsel for the Organizer, I have reviewed copies of the following documents:

1. The attached Educational Management Organization Agreement, (the "Agreement"), between the Organizer and [Name of EMO].
2. The Ball State University Charter Schools Office Policies for Contracting with Educational Management Organizations ("Policies").
3. The Charter effective [Month, Day, Year], (the "Charter"), issued by Ball State University to the Organizer.

I have also reviewed the articles of incorporation and bylaws of the Organizer, and originals and copies of such other documents, records, and statements of facts as I deemed relevant, and I have made such other investigations and inquiries, as I have determined necessary for the purpose of rendering the opinions set forth herein.

Based upon the foregoing, I am of the opinion that:

1. The Organizer is an Indiana nonprofit corporation duly organized, validly existing and in good standing under the laws of the State of Indiana and has full power and authority to enter into the Agreement.
2. The Organizer's execution, delivery and performance of the Agreement does not violate any term or provision in the Policies and, to the best of my knowledge after due inquiry, the Organizer has complied with all terms and provisions in the Policies.
3. The Organizer's execution, delivery and performance of the Agreement does not permit or require an improper delegation of the Organizer's:
 - (a) Statutory and fiduciary responsibilities under applicable law; or
 - (b) Obligations and duties under the Charter.

In addition, the Agreement does not conflict with any of the provisions of the Charter or the Policies.

Very truly yours,

[Name of Organizer's Legal Counsel]