B.3.1 Education Service Providers

A. Explanation for Contracting with ESP

PIE-AZ intends to contract with an Education Service Provider ("ESP") in order to benefit from additional school services available through ESPs. PIE-AZ will contract with Pathways Management Group ("PMG"), a tax exempt California Nonprofit Public Benefit Corporation under I.R.C. §501(c)(3) in order to accomplish its ambitious student achievement goals and to ensure the school operates efficiently, and complies with all applicable laws, in its business and financial operations. PMG's leadership team has a long track record of providing education, fiscal, and operational services to charter schools that serve PIE-AZ's target student population. Historically, this management team has managed schools that significantly outperform schools in the surrounding areas that serve similar student populations, and have consistently seen growth in their academic performance. These charter schools include PMG-managed Options for Youth and Pathways in Education, both of which have a track record of success in helping the target population attain high student achievement. In fact, OFY recently qualified for the 2015 Broad Prize for Public Charter Schools, which recognizes charter models that demonstrate best academic outcomes, mainly for traditionally underserved youth.[1] Schools in California that use the PMG education model rank academically in the top 20% of schools serving a similar population, experience only rare occurrences of student misbehavior with less than 2% suspension/expulsion rates, and post drop out recovery rates of 80% and high school graduation rates of 85%. The achievement rates of schools managed by PMG aptly demonstrate the success of the research-based strategies used by the schools in helping serve at-risk youth. For example, Figure B.3.1.1 demonstrates results for the California High School Exit Examination for OFY – Burbank, which has been managed by PMG since 1997. The table displays the phenomenal academic growth of students at OFY - Burbank, which recently ranked Bronze nationally in U.S. News Best High Schools.[2]

FIGURE B.3.1.1: RELEVANT PERFORMANCE DATA: OPTION FOR YOUTH – BURBANK, CALIFORNIA

Options for Youth – Burbank			
State Assessment Data	**Year**	**Math**	**ELA**
CAHSEE Grade 10 Passing Rate	2009-10	77%	66%
	2010-11	83%	75%
	2011-12	87%	76%
	2012-13	91%	91%
	2013-14	90%	92%

To continue, results from PIE schools echo similar results. Pathways In Education –Illinois locations are authorized by Chicago Public Schools which use the School Quality Rating Policy (SQRP), a five-tiered performance system used by the district to measure annual school performance (see Figure B.3.1.2 below). The SQRP uses an extensive range of indicators, such as student test score performance, academic growth, closing of achievement gaps, graduation, and preparation for post-graduation success. As seen in Figure B.3.1.3, data from PIE-IL Avondale exhibits positive, above average results.

[1] Charter Management Organizations Eligible for The Broad Prize for Public Charter Schools. (2015). Retrieved from http://www.broadprize.org/publiccharterschools/eligible.html

[2] National Rankings: Best High Schools. (2015). Retrieved from http://www.usnews.com/education/best-high-schools/national-rankings

FIGURE B.3.1.2: CHICAGO PUBLIC SCHOOLS - SCHOOL QUALITY RATING

Overall Score	School Quality Rating
4.0 or more	Level 1+
Between 3.5 and 3.9	Level 1
Between 3.0 and 3.4	Level 2+
Between 2.0 and 2.9	Level 2
Less than 2.0	Level 3

FIGURE B.3.1.3: RELEVANT PERFORMANCE DATA: PATHWAYS IN EDUCATION – CHICAGO, ILLINOIS

Pathways In Education – Illinois			
Chicago Public Schools School Quality Rating Policy (SQRP)	**Location**	**SQRP Total Points Earned**	**SY 2014-2015 SQRP Rating**
	Avondale	3.0	Level 2+

The data displayed aptly exhibits the experience of PMG managed schools in student improvement and academic achievement that is possible for students with similar needs as those in the proposed target population for Fifth Arrow. Furthermore, after a thorough analysis of the target community, it is clear that the at-risk students served by PUHSD would benefit from the comprehensive, flexible educational model that is used by PMG managed schools. Most importantly, PMG is committed to using data-driven decisions in all aspects of the school community. For example, although baseline year state assessment data is not reported for PIE – Louisiana, PIE, in collaboration with PMG, is using this data to create professional development that will better equip teachers and staff to serve the needs of the students. This culture is evident throughout PMG managed schools, as the teachers and staff are trained to use both quantitative and qualitative data to drive continual improvement in the school setting. Exhibit B.3.1.1 provides a comprehensive list of academic outcomes for the schools managed by PMG.

Pursuant to the template Service Agreement attached to this application, the Board of Directors of PIE-AZ are and will always remain independent from PMG and representative of Arizona. This representation and independence is essential to ensure (i) PIE-AZ's implementation of PMG services, as outlined below, are tailored to the unique needs of Arizona students and (ii) to avoid conflicts of interest, ensuring PIE-AZ has the independence necessary to hold PMG accountable for delivering services sufficient to meet PIE-AZ's performance expectations, as required by the Service Agreement.

It is anticipated that many students will enter PIE-AZ more than one year behind in course credits, and trajectory of progress will be as important to measuring academic success at PIE-AZ as is the school's graduation rates. PMG is a network of schools serving similar target student populations and provides tools, strategies, collaboration, and resources to its schools. These benefits are necessary for the schools to implement systems for intensive, individualized instruction, mentoring, and feedback with students to help them successfully recover credits and attain a high school diploma. PMG currently contracts with six charters in California that operate thirty-one schools sites, as well as charter schools in Illinois and Louisiana. These schools successfully serve thousands of highly

mobile students each year and graduate over 3,500 students each school year. Clearly, what can be gleaned from the success of these schools is that many students (almost half) recover deficient credits more quickly than if the student attended a traditional school or was not in school. PMG has been influential in students' quick recovery of academic credit, increasing performance on state standardized tests, and producing high school graduates in numbers that far exceed the options students have otherwise in the traditional education system. On the financial side of its support for these schools, PMG has ensured that all schools have received clean external audits, and has submitted timely required financial reports to districts and government agencies on an annual basis.

Exhibit B.3.1.2 is a list of other schools managed by Pathways Management Group, as well as contact information for each of the schools and their authorizers.

B. Description of Services to be Provided by the ESP

Exhibit B.3.1.3 is a draft of the service agreement between PMG and PIE-AZ. Subject to the oversight and final approval of PIE-AZ's Board of Directors, PMG will support many of the day to day operations, academic programming, human resources, and financial operations of PIE-AZ. Pursuant to the draft service agreement, PMG will do the following:

- Facilities identification, location, and acquisition of space for PIE-AZ learning sites;
- Purchase and installation of technology;
- Furnishing and maintenance of PIE-AZ learning sites;
- Procure all necessary insurance, including personal and property damage insurance;
- Budget and required financial reports on a monthly, quarterly, and annual basis;
- Provide an academically rigorous educational program specifically designed for PIE-AZ's target student population:
  - Effective use of PMG's educational model and curriculum,
  - Professional development for all staff, including teacher and administrative training, and
  - Course assessments;
- Human resources services;
- Staff recruitment, screening, and hiring recommendations;
- School administrative support, including facilities management;
- Accounting and bookkeeping;
- Assist with compliance matters, including with the Arizona State Board for Charter Schools and other state and federal agencies to which PIE-AZ is accountable;
- Arrange for independent academic assessments, as requested by the PIE-AZ Board of Directors; and
- Audit arrangements

In accordance with the management agreement between PMG and PIE-AZ, PMG will develop or procure all operational materials for the charter school, including equipment, educational services, leases, improvements, and insurance purchases. PMG has access to preferred pricing for these resources and through PMG's referrals PIE-AZ is able to take advantage of such resources. As an experienced educational management organization, PMG has established contractual agreements for textbook purchasing, facilities acquisition and leasing, facilities development and other services that are the responsibility of PMG under the management agreement sufficient to meet the needs of the PIE-AZ. PMG shall establish all necessary procurement of needed services for PIE-AZ as described herein, and shall do so to the satisfaction of the PIE-AZ Board of Directors.

PIE-AZ is the employer of all school staff; however, pursuant to the draft service agreement between PMG and PIE-AZ, PMG will provide all human resources services needed by PIE-AZ, including but not limited to advertising for and recruiting teachers and instructional employees, screening prospective new employees, making staffing and employment recommendations to PIE-AZ, planning and conducting team building events for PIE-AZ staff, and coordinating all employee benefits.

As part of its administrative support for teacher recruitment and retention, PMG will develop a pipeline for teachers to move into instructional leadership positions. PMG will implement strategies for identifying and developing instructional leaders and encourages the development of instructional leaders from within in the school's teaching population. Instructional leaders will be trained and developed by the principal and leadership from PMG affiliated schools implementing the same program model. PMG instructional leaders will hold administrative credentials, and will be offered professional development opportunities such as educational conferences and courses. Further development will also be offered through an annual PMG leadership retreat.

Additionally, PMG will manage or coordinate with outside vendors supplemental school services for which PIE-AZ's Board of Directors may select in addition to the services discussed above. These include ropes courses, camps, competitions, vocational training, life skills courses, and college tour camps. PMG also provides assistance with the development of an extensive referral network to recruit students and to refer students to services that they need. A brief listing includes social services, mental health, substance abuse, child care, and violence prevention and intervention.

C. Why PIE-AZ is contracting with an EMO, generally, and why PIE-AZ is contracting with PMG, specifically

PIE-AZ recognizes the necessity of being supported by a successful network with years of experience and the resources necessary to accomplish PIE-AZ's lofty goal of serving Arizona's most at-risk students. The mission of PIE-AZ is to empower, inspire and connect with our students to help them graduate from high school and be prepared for post-secondary options. The school will provide a supportive environment where all stakeholders are successful. Pathways Management Group is committed to serving schools that serve populations similar to PIE-AZ's target population and has the same goal of propelling at risk students to academic and personal success through innovative approaches to learning. As an EMO, PMG's main purpose is to ensure that the schools it serves can focus on educating and empowering at-risk, hard to reach students in a highly personalized learning environment with strong student teacher relationships. Finally, PMG has demonstrated its commitment to PIE-AZ's mission by using network dollars to finance the exploration of setting up an Arizona charter school, including assisting with writing the new charter application, building relationships with education advocates like the Arizona Charter Schools Association, securing a local charter school attorney, and financing the new charter application process.

PMG will further PIE-AZ's mission and program by leveraging its experience serving charter and contract schools working with student populations similar to PIE-AZ's target student population. To

do so requires skilled leadership and coordination, which is provided by a professional school management team with many successful years of instructional, operational, and fiscal management experience. PIE-AZ believes PMG's experience in providing management services to similar schools, coupled with its focus on at-risk students, is necessary for PIE-AZ to provide Arizona students with access to cost effective, high quality services. PIE-AZ believes PMG will allow it to focus on supporting, through a holistic comprehensive education program, students' goals of recovering credits and attaining a high school diploma.

D. PIE-AZ's Performance Expectations for PMG Consistent with the Service Agreement

PIE-AZ's expectation that PMG will perform at the highest level possible is explicitly considered in the draft service agreement and is grounds for PIE-AZ to terminate its contract with PMG. Exhibit B of the draft service agreement sets the expectation that PMG shall provide its services to PIE-AZ in a quality sufficient for PIE-AZ to achieve at least a "Meets Standard" on all three performance frameworks as adopted by the Arizona State Board for Charter Schools and as applicable to PIE-AZ. The PIE-AZ Board of Directors is ultimately responsible for the oversight of PMG's service outlay; however, in year one, the school's principal will oversee every service identified in Exhibit A of the draft service agreement and report on PMG's achievement of those promises to the Board at each board meeting. In year two and beyond, the day-to-day oversight of PMG services will be delegated to other members of the leadership team ("Leadership Team") which will include the Director of Instruction who will directly oversee the academic services provide to PIE-AZ by PMG. The principal will continue overseeing most of the operational and financial services provided by PMG. The end result being that someone on the Leadership Team is always directly assigned to overseeing the provision and implementation of services provided by PMG, ultimately subject to the oversight and scrutiny of the PIE-AZ Board.

PMG is neither structurally related to PIE-AZ nor is it the parent company of PIE-AZ; rather, PMG is an Education Management Organization, which only serves the role of providing management services and access to resources by way of a contract. PIE-AZ's board will exercise oversight of PMG's responsibilities as laid out above by requiring that PMG staff provide an update on PMG activities, including finances, educational success, and human resources at each regular PIE-AZ board meeting. PIE-AZ's board will meet to review the performance of the management company and to approve action as necessary. At each board meeting, representatives of PMG will report to the Board. PIE-AZ's Leadership and PMG team members will present academic, fiscal and operational data to the Board so that the Board may exercise appropriate oversight and direction that will help ensure the school is an educational and operational success. This will also provide PIE-AZ's Board the opportunity to directly provide comments and direction to PMG staff, as well as the opportunity to evaluate the performance of PMG.

In addition to reviewing PMG's performance throughout the year at board meetings, PIE-AZ will evaluate the performance of PMG on an annual basis to determine if PIE-AZ's expectations for PMG have been met during the previous year.

E. Roles and Responsibilities of the ESP as Stated in the Service Agreement

Exhibit A of the draft service agreement sets out the services PMG shall provide to PIE-AZ which includes those services identified above in section B. However, during startup, as an EMO, PMG will support PIE-AZ through a partnership between PMG's leadership team and PIE-AZ's staff. PMG employs a school implementation team to support startup efforts, as well as ongoing coaching and professional development. Prior to the start of school (before and after charter submission), PMG's

Assistant Superintendent for Charter Development will conduct outreach and host community meetings for interested families and community members. During the startup phase (following charter approval), PMG's Assistant Superintendent will provide school leadership until the key leadership positions have been filled. The Assistant Superintendent will also lead recruitment efforts for all key administrative positions. In addition, the director of school implementation and supervisor of school implementation will both assist the principal in ensuring the school site is prepared for the start of school, as well as support any operational issues at the school site. PMG will ensure that a small group instruction coach is available to support and guide small group instruction teachers in helping students who need classroom-based direct instruction, a professional development coach to provide professional development to teachers prior to the start of school and on ongoing basis, and an accountability officer in conjunction with the school implementation team to help coordinate end of course assessments and accountability-related services.

PMG's human resources department will recruit, screen, and recommend the hire of personnel. They will then onboard and manage any personnel related issues (not related to staff evaluations). PMG's finance team will coordinate payroll, budget, and financial reporting for the school.

PMG also intends to contribute significant resources to startup activities in Arizona in the form of school start up financing, in-kind support, and instructional resources support prior to the receipt of public school financing. PMG will provide PIE-AZ with a $600,000 startup loan to be paid back at a 2.3% interest rate over a three year period. Terms of the loan will be memorialized in the promissory note between PIE-AZ and PMG. The promissory note and verifiable proof of secured funds are included as attachments to the application.

PMG will provide a donation of $15,000 to PIE-AZ for marketing costs during the startup period in order to support the school in meeting its enrollment targets in year one. PMG will also donate $50,000 towards curriculum developer fees, which will cover the cost of course development for courses aligned to Arizona College and Career Ready Standards.