

OPEGA

Information Brief

Purpose

On July 1, 2015, the Government Oversight Committee (GOC) directed OPEGA to determine the facts associated with alleged proposed changes to the State's fiscal year 2016 and 2017 Department of Education (DOE) funding for Good Will-Hinckley (GWH) and the impact of those proposed changes to the School. Two separate requests for a review of this subject had been submitted to the GOC by current legislators.

OPEGA interviewed staff and officials from DOE, GWH, and the Harold Alfond Foundation, as well as the Maine Speaker of the House of Representatives. We also collected and reviewed numerous documents provided by these entities. The Governor and his staff declined to speak with OPEGA citing pending litigation against the Governor, though some documents were provided.

This Information Brief includes background on GWH, its charter school, the State funding provided through DOE, a timeline of events associated with the proposed changes in State funding, explanations of actions taken by various parties and the impact of it all on GWH.

OPEGA appreciates the considerable and timely cooperation we received from all parties. We also appreciate the information provided by the legislative non-partisan offices and constitutional offices we requested assistance from.

September 2015

SR-GWH-15

State Funding for Good Will-Hinckley: Financial Risks Associated with Potential Loss Of State Funding Led GWH Board to Change Course on Its Decision for New President



Summary

Good Will-Hinckley (GWH) is a non-profit organization located in Fairfield, Maine that offers educational programs for at-risk youths, one of them being a charter school. In 2009, GWH was in dire financial straits and had to discontinue many of its programs including its high school. In 2011, the Governor and the Harold Alfond Foundation (HAF) were pivotal in funding a plan to revitalize GWH, in part by re-opening a high school that earned charter school status as the Maine Academy of Natural Sciences (MeANS) in July 2012. The Governor's support of this effort effectively took the form of a State grant from the Department of Education (DOE) through a statutorily established program called the Center of Excellence for At-risk Youth (COE). The Governor proposed funding for COE in his Fiscal Year 2012 and 2013 biennial budget and the Legislature ultimately provided \$330,000 and \$530,000 for those years respectively. An Agreement between DOE and GWH required that GWH use those funds for its residential program.

Although the funding was intended to be temporary to support MeANS until it got established as a charter school, GWH has continued to need the State's support. GWH has lobbied to retain the funding, the Governor has continued to include \$530,000 per year for COE in each biennial budget, and the Legislature has approved continued support for this program.

In early June 2015, the Governor learned that GWH had hired the current Speaker of the House of Representatives as its next President. Both the Governor and the current Acting DOE Commissioner objected strongly, primarily due to the Speaker having been a vocal opponent of charter schools in the past and a belief that he was not qualified to successfully lead GWH. The Governor, the Acting Commissioner and one of the Governor's Senior Policy Advisors immediately began communicating to various GWH representatives and stakeholders that the Governor would have trouble supporting, or could not support, GWH with the Speaker there as President. Those on the receiving end of these communications clearly understood the Governor's "support" to mean the \$530,000 in COE funding for the upcoming biennium. GWH began assessing how it might manage without the funding, as well as reaching out to other funders to try to replace the State dollars.

Events described in this Information Brief strongly suggest that the threat of GWH losing State COE funding, and the subsequent holding of a payment already in process for GWH's first quarter of FY2016, are directly linked to the Governor learning that GWH had decided to hire the Speaker as President. It is still unclear, however, whether the Governor personally communicated to anyone at GWH or the HAF specifically that the funding would be cut when he communicated to them that GWH had lost his support. It is also still unclear whether the Acting DOE Commissioner's decision to withdraw the first quarter payment resulted from a specific directive from the Governor or was a precautionary measure he took on his own, without the Governor's prior knowledge, pending the outcome of the issue between GWH and the Governor. The Acting Commissioner said the Governor did tell him he did not want to send any money to GWH that was not required by law, but the Acting Commissioner could not recall when this conversation took place. Regardless, the Acting Commissioner himself, and members of the Governor's staff, had already begun sending GWH the message that the funding was in jeopardy on June 5th – days before his decision to hold the payment on June 9th.

The likely possibility of GWH losing the State COE funding led the Chairman of the HAF Board to exercise his fiduciary duties related to a September 2014 \$5.5 million HAF grant to GWH, \$2.75 million of which was to be paid in 2019. The HAF Board Chair sent a June 18th letter to GWH expressing the HAF's serious concerns about GWH's ability to meet the goals of the grant agreement without funding for its residential program, and its intent to conduct an independent assessment of GWH's finances.

Receipt of this letter, combined with the GWH Board Chair's description of his interactions with the HAF Board Chair and the Administration, led the GWH Board to seriously assess the financial uncertainty facing the organization. Of primary concern was the risk of losing the \$2.75 million balance of the HAF grant, which would result in GWH defaulting on a \$3 million loan currently secured with a substantial portion of the campus. Efforts by GWH to replace the threatened State funding had so far proved unsuccessful. The GWH Board, with the understanding that the State COE funding would remain if the Speaker were no longer President, decided that its fiduciary responsibilities left it no choice. The GWH Board offered the Speaker the opportunity to resign, which he declined, and the Board subsequently terminated his employment agreement on June 24th.

Since then, with the final passage of the Biennial Budget on June 30th, DOE has re-committed to \$530,000 in funding for GWH in both FY2016 and 2017 and has sent GWH its first quarterly payment for FY2016. However, under a new written agreement established between DOE and GWH, the FY2017 funds are contingent on GWH submitting a plan to transition off State funding. The agreement also states it is understood by the signing organizations that the State funding will not extend beyond the current biennial budget.

About Good Will-Hinckley

Good Will-Hinckley (GWH) is the operating name of the Good Will Home Association, a 501(c)(3) nonprofit member-driven organization. GWH is located on a 1,000-acre campus in Fairfield, Maine and is adjacent to a campus of the Kennebec Valley Community College (KVCC). GWH is governed by a Board of Directors, who meet to discuss and vote on GWH issues bi-monthly. The minimum number of Directors is 15 and the maximum is 22 with 17 Directors currently. The Board of Directors holds an annual meeting the first Saturday in August on the GWH campus.

Since its creation in 1889 by George Walter Hinckley as the Good Will Home for Boys and Girls and the Good Will Farm, GWH has operated as a residential facility, providing housing, services and education for homeless and at-risk youth. GWH's school was operated as Averill High School from the mid-1930s until 2009. In July of 2009, due to the economic downturn, dwindling enrollment and a shift in State and federal funding, GWH's Board of Directors suspended all residential and educational programs except for the Glenn Stratton Learning Center day-school program. The former Averill High School was reopened in September 2011 as a magnet school, which eventually became the Maine Academy of Natural Sciences (MeANS) charter school in 2012.

The reopening of the high school was boosted by a \$10.85 million grant from the Harold Alford Foundation (HAF) to KVCC and GWH. A portion of the KVCC grant was for the purchase 600 acres from GWH to expand the KVCC campus. The property purchased included 13 buildings and a 300-acre organic farm. HAF also granted \$1.5 million to GWH to support school operations, \$1 million of which was awarded upon MeANS's successful designation as a charter school.

MeANS is one of several programs GWH currently offers. Other program offerings include:

- The Glenn Stratton Learning Center Day School (GSLC) - a day treatment center that works with area Kindergarten-12 students who have social-emotional or behavioral challenges, with the goal of developing the skills the students need to return to their own schools or another less restrictive setting.
- The College Step Up Program - operates in partnership with KVCC and offers housing and academic/life-skills coaching to students particularly at-risk, such as those that are homeless or transitioning out of foster care, who wish to pursue post-secondary education at KVCC or another Maine college.
- The Campus Living Program - provides residential services for non-local Maine students who attend the GSLC or MeANS, or participate in the College Step-Up program, with cottage housing on the GWH campus supervised by on-site staff.

GWH is also the location of the L.C. Bates Museum, a Maine natural history museum.

About the Maine Academy of Natural Sciences

The Maine Academy of Natural Sciences (MeANS) includes grades 9-12, and is made up of both day students from the local region and boarding students from across the State. The MeANS model is focused on the natural sciences, including farming, forestry, sustainability, and alternative energy. Students learn through hands-on experiences, such as running an organic farm stand and growing food on campus for the cafeteria and residences. Students also gain knowledge and skills through internships with local businesses and joint coursework with the KVCC. Educational programs are tailored toward individual students' interests. Student-teacher relationships are valued, with staff having expertise in at-risk youth populations.

MeANS is governed by an independent, autonomous board of directors, which shares some of its members with GWH. The bylaws dictate that a majority of the MeANS Board cannot also be members of the GWH Board. Additionally, the Charter School contract requires the majority of MeANS board directors, except for initially appointed directors, be elected by that Board with the minority appointed by the GWH Board. The MeANS Board, independently from GWH, oversees the operations and governance of the school, including financial, personnel, scheduling, curriculum, and instruction decisions, as required by the charter school statute.

The Maine Charter School Commission and MeANS entered into a 5-year contractual agreement on July 31, 2012. The Charter agreement maintains that the school shall collect funding from school administrative units according to state law. MeANS is also eligible to receive federal entitlements and grant funds from the Maine Department of Education (DOE), and cannot charge tuition and fees. It can incur debt and accept grants, gifts, and donations.

Per the Charter School contract, MeANS produces monthly and quarterly financial reports, and submits the quarterly financial reports to the Maine Charter School Commission. Financial reports must be reviewed by the Board of Directors. The Commission conducts annual monitoring reports of MeANS, which includes a review of financial accounting requirements. The school met the standards in the most recent monitoring report available on the Commission's website, dated August 2014, indicating the Commission received all required financial quarterly reports and meeting minutes demonstrating Governing Board review of the statements. Additionally, MeANS must conduct an annual financial statement audit by an independent auditor.

The Commission evaluates the school's academic and operational performance in accordance with the Monitoring Plan annually. The review is based on state accountability systems, the Commission's performance expectations, and the educational goals from the Charter Application. The most recent performance review available, dated August 2014, shows that MeANS met their contractual agreement in 7 of 11 performance indicators, partially met requirements in 3 of 11 indicators, and was incomplete for 1 indicator. The Commission provided an overall positive assessment of the school and listed several commendations, including excellent attendance rate, plans for correcting residential life concerns from previous review, collaboration with GWH and "laying a solid fiscal foundation," receiving a \$500,000 federal grant, and the Governing Board devoted to improving the school. The recommendations included seeking additional sources of funding beyond GWH, integration of technology into curriculum, continuing staff development, and strengthening special education services.

The GWH Director of Finance is responsible for all budgeting and financial management of both GWH and MeANS. This role is overseen by GWH's Vice President of Operations, President, and Board. GWH has the ability to support MeANS operational budget gaps with its endowment cash reserves. Budget gaps exist when enrollment numbers are lower or greater than planned, or when public funding is lower than planned. In the Charter School application, GWH committed to providing resources to continue operations of MeANS in the event of operational budget shortfalls. According to GWH's Director of Finance, GWH has been subsidizing MeANS with what is effectively a grant from GWH to MeANS.

State Funding for Good Will-Hinckley

Center of Excellence for At-risk Students

The Center of Excellence for At-risk Students (COE) is established in 20-A MRSA c. 227. The statute was enacted in 2009 as a result of PL 2009 Chapter 296 (LD 1443). COE is to provide a comprehensive residential and nonresidential program for educating at-risk students and also to provide information and resources for other schools serving at-risk students. Statute defines “at-risk students” as elementary or secondary students who is at risk of failing or dropping out of a regular public school program. Statute also provides that the center may be administered by a private, nonprofit charitable corporation with a public purpose that meets the certain requirements.

Unallocated language in PL 2009 Chapter 296 required the Department of Education (DOE) to arrange with the Good Will-Hinckley school to serve as the nonprofit charitable corporation with a public purpose that would implement COE. The bill also required that the Commissioner of the Department of Education and the President of Good Will-Hinckley jointly develop a plan for funding and delivering an approved program, including a timeline for commencing operations, with the goal of beginning to provide services by September 1, 2010. The bill further required the Commissioner to develop a proposal for funding the COE. The Commissioner was to report to the Joint Standing Committee on Education and Cultural Affairs (EDU) by November 1, 2009 on a recommended plan for funding COE and a recommended timeline for commencing the Center’s operations. EDU was authorized to submit to the Second Regular Session of the 124th Legislature any legislation needed to fund and implement the plan.

MeANS was GWH’s implementation of COE. The State began providing funding to GWH for COE that fall specifically for the purpose of allowing GWH to revive its residential program, which GWH had been forced to shut down in 2009. Providing students the option of residing on campus was expected to be a key factor in growing MeANS by attracting students from beyond the local geographic area. The residential program continued to be an important component in the plan for MeANS when it achieved charter school status on July 31, 2012. According to GWH’s Director of Finance, the State COE funding is used specifically for GWH’s Campus Life Program, particularly for the students in that program that are attending MeANS.

In 2011, the Governor requested \$730,000 a year for the COE in his proposed Biennial Budget for Fiscal Years 2012 and 2013. The Governor was recognized as a supporter of increasing education opportunities, particularly for students who were facing challenges in the traditional educational settings. His financial support of GWH was touted as one of the three miracles that came together at that time to save GWH. The two other miracles being the purchase of GWH land and buildings by KVCC, and the HAF grants to both KVCC and GWH described earlier.

Through legislative review and consideration of the Governor’s proposed budget, the appropriation for the COE was reduced to \$330,000 in FY2012 and \$530,000 in FY2013. EDU recommended these funding levels to reflect the expected timing of the new magnet school actually commencing operations and the expected student population that would be using residential services. Consequently, GWH received \$330,000 in FY2012 and \$530,000 in FY2013. A written Agreement between DOE and GWH covering State funding through FY2013 was signed in October 2011. The Agreement limited GWH’s use of the funds to certain expenses associated with the residential program and required GWH to submit quarterly financial statements and an annual audit to DOE. The annual appropriation for the COE remained at \$530,000 through FY2015 and the Governor’s proposed budget for FY2016 and FY2017 called for funding to remain at that level.

The COE funding is included in the broad appropriation program called General Purpose Aid for Local Schools (GPA). Within the GPA program there are four categories of costs:

- Miscellaneous “Targeted/Direct” Cost Elements
- Enhancing Student Performance and Opportunity Elements
- Normal Cost of Teacher Retirement
- General Purpose Aid for Local Schools (referred to for the remainder of this report as State Subsidy for Local Schools).

The State Subsidy for Local Schools category represents State subsidies to public schools, much of which is allocated through the statutorily established Essential Programs and Services funding model. The COE funding is captured within the Miscellaneous “Targeted/Direct” Cost Elements category. Statute does not currently require any funding for the COE.

Appendix A shows the four categories within GPA and the detailed line items within each category. This breakdown of the proposed budget for overall GPA is provided by DOE to the Legislature during its consideration of the budget. The Legislature’s Office of Fiscal and Program Review adds further information and analysis for use by the EDU and the Appropriations and Financial Affairs Committee (AFA). DOE is required by statute (20-A MRSA section 15689-C) to delineate the amount recommended for each cost component in the adjustments and miscellaneous costs category which includes those in the Miscellaneous “Targeted/Direct” Cost Elements category. Similar statutory language exists requiring the Governor to also make his recommendations at the cost component level.

The \$530,000 in State COE funding to GWH is paid in quarterly payments of \$132,500. Historically, DOE has sought to make sure GWH has its quarterly payment at the very beginning of each quarter and so has processed the payment vouchers in the last month of the preceding quarter. DOE has not confirmed GWH’s compliance with the established Agreement as part of processing these payments. Depending on processing time, GWH sometimes receives its payment prior to the start of the quarter the payment is for and sometimes just after the beginning of the quarter. The two other schools receiving State funding captured in the Miscellaneous Costs category of the GPA program also receive quarterly payments on the same schedule. These are the Baxter School for the Hearing Impaired and the Maine School of Science and Mathematics. Unlike GWH, both of these are State-owned schools funded almost exclusively through State appropriations.

This payment schedule means that quarterly payments for the first quarter of an upcoming fiscal year are processed, and sometimes paid, at the end of the current fiscal year. Every other year this occurs before the budget for the new biennium is in effect. DOE explained that this is possible because these payments are made out of accounts whose balances carry forward from year to year. DOE explained that it typically has funds left in these accounts at the end of the fiscal year because there are some expenditures made in the current fiscal year that will not get invoiced and paid until the next fiscal year. DOE has made these advance payments in the past to assist these schools with their cash flow at the beginning of the summer. The current Acting DOE Commissioner has recently told staff not to continue this practice in the future so that no funds will be disbursed until the final budget is enacted.

Other Public Funding for GWH and MeANS

The COE funding is effectively a grant to GWH and is the only funding of that type GWH or any other school receives from the State. GWH also receives DOE-administered funding of \$197,000 for long-term drug treatment and other State-administered funding specific to certain programs, like Medicaid reimbursement for services provided in the GSLC program. As a charter school, MeANS has received public funding on a per student basis from sending schools. A newly enacted law recently changed the funding arrangement for charter schools such that they will now receive an allocation of General Purpose Aid directly from the State as opposed to from the sending schools. According to DOE, MeANS will receive \$1.26 million under this formula in FY2016.

About the Harold Alfond Foundation Grant

In May 2014, GWH applied to the Harold Alfond Foundation (HAF) for a grant to renovate and enlarge the Charles E. Moody School to provide permanent classroom space for MeANS at a target enrollment level of 210 students. GWH identified increasing MeANS enrollment from 66 students, at time of application, to 210 students, by 2019, as key to ensuring the long-term financial strength and stability of GWH. In its grant application, GWH did not reference the role, or amount, of State funding in the organization’s operating budget or projections.

To complete the review of the GWH grant proposal, HAF hired a consultant to analyze the operating budget, baseline and forecast, proposed by GWH. The consultant’s report, completed in August 2014, recommended some adjustments and revisions to the financial model; however, the consultant described the net result as “not materially different” from what was proposed by GWH. The consultant cited the stabilization of State revenues for educational and residential services and the need to increase alternative revenue sources as ongoing challenges for GWH. The consultant also recognized the organization’s revenue diversification efforts, noting state funding among a series of separate funding sources. The consultant’s report did not include specifics regarding the timing or amount of State funding included in the budget projections.

On September 10, 2014, HAF awarded to GWH a \$5,500,000 grant for the renovation and expansion of the Moody School to serve 210 full-time students. Under the terms and conditions of the grant agreement, HAF specified payment of the grant in three installments: (1) \$1,500,000 upon execution of the grant agreement in October 2014; (2) \$1,250,000 within 30 days of January 1, 2015; and (3) \$2,750,000 to be made in 2019, contingent upon satisfactory achievement of “measurable performance goals” outlined in the proposal. Per the grant agreement, HAF committed to measuring performance, on the basis of information reported by GWH in Quarterly and Annual Reports, against goals set forth by GWH in the grant application and supporting financial model. These include:

- Increasing MeANS student enrollment each year of grant period, reaching target level of 210 in 2019-2020
- Achieving positive, and increasing, net income from operations of GWH and MeANS combined, in each year of grant period; with net income of \$458,000 in 2019-2020
- Achieving certain education performance goals, including: recurrent enrollment rate of 80% for year one to year two and increasing to 90%; graduating 75% of senior class “on time”; 100% rate of graduates with written post-graduation plan; 90% attendance rate of parents/guardians at 3 conferences per academic year

The agreement specifies that HAF will make the final grant payment if, by September 1, 2019, the HAF trustees determine that the progress made by GWH and MeANS is “materially consistent” with what was proposed and there is “reasonable expectation” of ongoing financial responsibility and success. The grant agreement requires GWH to provide, as part of Annual Report to HAF, an update on the status of state revenues for education and residential services. However, the grant agreement does not specifically reference any assumptions regarding the timing or amount of state funding.

In January/February 2015, GWH applied for a line of credit of up to \$3 million to finance the Moody School project. The loan is secured with the south side of the GWH campus, which is the Moody School, the Administration building, several cottages, Carnegie Library, and the Visitors Center. In late April 2015, GWH was having difficulty getting the Maine Community College System to sign off on the loan as was required due to a joint water sharing agreement between KVCC and GWH. On April 29th, GWH’s Interim President contacted the Governor’s Senior Policy Advisor A¹ asking for assistance in getting this sign off. GWH closed on the loan in early May 2015 and took its first draw on the loan in late June/early July. GWH considers the line of credit to be a bridge loan that it intends to fully pay off with the remaining HAF grant funds to be paid in 2019.

Proposed Changes to Center of Excellence Funding for GWH

By all accounts of those we spoke with at both DOE and GWH, the COE funding was understood to be a temporary solution to help GWH get the Maine Academy of Natural Sciences established while it sought charter school status. Once MeANS achieved charter school status it began receiving public funding from sending schools just like the other charter schools that were approved under the new charter school law signed into law on June 29, 2011.

In October 2012, the Administration discussed with GWH’s President the Governor’s plan to remove the COE funding for GWH in the next biennial budget proposal for Fiscal Years 2014 and 2015. Correspondence between the DOE Commissioner, the Governor’s Senior Policy Advisor and GWH’s President reinforce the Governor’s intention that the funding was meant to be temporary. GWH’s President acknowledged that GWH’s own business plan calls for reducing the need for State support but over a longer period. He stated the sudden removal of State funding would greatly reduce the number of students living on campus come the following September and asks for consideration to continue funding in the short run.

GWH also hired a lobbyist to help ensure the funds for GWH stayed in the budget. Legislators also were expressing concern about the MeANS charter school receiving direct State funding when other charter schools did not. In the end, the COE funding remained in the budget for FY2014 and 2015 and GWH is required to, and does, propose a plan for transitioning off State funding. The plan communicated to the Administration by the GWH President in December 2012 called for five short term and three long-term actions. The Plan was titled “The Short and Long-Term Plans to Financial Independence. The Plan did not indicate when GWH expects to no longer require the State COE funding. However, a December 2012 email from the GWH President indicated that GWH intended to be independent of State funds in 24 months and that GWH considered its

¹ Throughout this Information Brief, in lieu of using names, OPEGA designates several different Governor’s Senior Policy Advisors as Senior Policy Advisor A, B or C to help clarify which individuals are involved in the events described.

plan to be realistic and well developed. DOE did not establish any new formal written agreement with GWH at that time to establish any requirements for continuing to receive the COE funding, including implementation of the proposed Plan.

In the fall of 2014, GWH again hired a lobbyist to help ensure that the COE funding for GWH would continue to be included in the Governor's proposed budget for FY2016 and 2017. The \$530,000 was still supporting the GWH residential program and was apparently included in the revenue projections GWH put forth when it applied to the Harold Alford Foundation for the grant to continue with renovations and expansion of the Moody School building.

GWH's President had resigned in early September 2014 and one of GWH's Board members had been appointed Interim President. The Commissioner of DOE had also resigned and a new Commissioner had been appointed. The lobbyist arranged for the Interim President and new Commissioner to meet and the new Commissioner included the \$530,000 in COE funding in the proposed budget submitted to the Governor for FY 2016 and 2017. It remained in the Governor's proposed biennial budget submitted to the Legislature in January 2015 and was not affected by the Change Package the Governor submitted on May 11th.

By December 22, 2014, the new Commissioner had also resigned and the Governor had appointed the current Acting Commissioner of DOE, who had been the Governor's policy advisor for the education area since October 2013. In February 2015, GWH's Interim President and the new Acting DOE Commissioner discussed GWH's Plan for getting off the State COE funding, which apparently had not yet progressed very far. The lobbyist also arranged for the Interim President and the Chair of GWH's Board to meet with the Governor, a meeting that occurred on March 3, 2015. At this meeting, the Governor discussed an initiative to establish a training program for loggers and the group discussed a possible role for GWH in implementing that initiative. According to GWH's Interim President, he also discussed briefly GWH's Plan for eventually getting off State funding at this meeting.

During legislative consideration of the Governor's proposed budget, EDU and the majority of AFA sought to increase the State public school subsidies allocated to the State Subsidy for Local Schools category. On June 6th AFA voted on the biennial budget bill (LD 1019) on a divided vote. The majority report included an additional \$25 million for the State Subsidy for Local Schools category, with \$19.5 million of it offset through adjustments to the Governor's initiatives in areas outside of education, and the remaining \$5.5 million to come from reallocations of proposed funding associated between categories in the GPA program itself. Of the \$5.5 million in reallocations, \$1.5 million was to come from the GPA program category of Miscellaneous "Targeted/Direct" Cost Elements (which includes the COE funding), and \$4 million from the GPA program category of Enhancing Student Performance and Opportunity Elements.

During the public work session where the budget bill was voted on, one AFA member said the reduction of the \$1.5 million from the Miscellaneous Category was intended to come from the technology line item. The Commissioner and his staff said they understood, however, that it would be the Commissioner's discretion to determine where to ultimately make those cuts. The Legislature's allocations of its overall appropriation to the GPA program to the individual categories within that program are specified in Part C of the enacted budget. There is also language in Part C that authorizes the DOE Commissioner to meet obligations for which there are insufficient appropriations by using unexpended funds from other accounts.

The amendments to the budget for the General Purpose Aid program and its individual categories in AFA's majority report remained unchanged through legislative leadership's subsequent negotiations on the budget. In fact, those OPEGA spoke to that had participated in those negotiations indicated that these appropriations adjustments were not even discussed during negotiations, nor was there any discussion specifically related to funding for COE. It was still included in the budget bill that AFA officially "reported out" on June 15, 2015 and which the Legislature passed on June 17, 2015. The Governor's veto of the budget was overridden by the Legislature on June 30, 2015.

After passage of the budget, DOE addressed the reduction of \$5.5 million to the Miscellaneous "Targeted/Direct" Cost Elements and Enhanced Student Performance categories within GPA. The Commissioner and his staff met on July 7th and determined what adjustments would be made. Appendix B shows the adjustments DOE made in these two categories.

On June 5, 2015, the Governor learned that the Speaker of the House was being hired as the new President of GWH. Immediately thereafter, the Governor, the Acting Commissioner and the Governor's Senior Policy Advisor began communicating to various GWH representatives and stakeholders that the Governor would have trouble supporting, or could not support, GWH with the Speaker there as President. Those on the receiving end of these communications report that they clearly understood the Governor's "support" to mean the \$530,000 in COE funding for the upcoming biennium and that the Governor's withdrawal of this support was directly linked to GWH's decision to hire the Speaker. GWH subsequently

terminated its employment agreement with the Speaker and the \$530,000 for COE funding remains in DOE’s budget for FY2016 and 2017. The series of events relevant to this proposed change in funding for GWH, and the final outcome, is detailed below.

Timeline of Events Relevant to the Proposed Change in State Funding for GWH

September – December 2014

On September 1, 2014, the GWH President resigned and GWH formed a President Search Committee comprised of the GWH Board Chair, the GWH Board Vice Chair, the MeANS Board Chair, the MeANS Board Vice Chair, and another member of the MeANS Board. The GWH Board also named one of its members as Interim President of GWH and in this role he resigned from the Board and was a member of and led the Search Committee. The Boards considered and updated the job description for the President’s position prior to the position being advertised and a detailed selection process was also designed and agreed upon prior to review of the applications.

Other events occurring in the fall and winter of 2014 include:

- On September 10, 2014 the Harold Alfond Foundation awards GWH a \$5.5 million grant that it had applied for in May 2014. The grant is for renovation and expansion of the Moody School. GWH receives the first of three payments in October 2014. The \$530,000 in State COE funding is built into the revenue projections that GWH submitted as part of its grant application.
- GWH engaged a lobbyist to help ensure that the COE funding for GWH stayed in the State budget for FY2016 and FY2017. The lobbyist arranged for GWH’s Interim President and the Vice President of Operations to meet with the DOE Acting DOE Commissioner and Director of School Finance and Operations. The meeting occurred on December 15, 2014. Email exchanges between the Interim President and the lobbyist state that the meeting went well, the funds were still in the budget for the upcoming biennium, and DOE is very supportive of GWH’s work with at-risk and non-traditional students. The lobbyist states she also met with the Governor’s policy advisor² that same day, and he told her the Governor was extremely supportive of GWH and he had no reason to believe any funding had been cut. He was going to double check to make sure the funds were in the budget. On January 7, 2015, the Acting DOE Commissioner replied in an email that “barring unlikely last minute changes, it’s in the Governor’s budget.”

January – April 2015

On February 13, 2015, GWH begins advertising the job opening for President of GWH both locally and nationally with online job postings through LinkedIn, Facebook, ServingSchools.com (a Maine-based, online marketplace connecting schools and job seekers), JobsInME.com (a Maine-based, online job board), Bridgespan Job Board (a national online job board for nonprofit organizations). There is also an advertisement in the Maine Sunday Telegram that runs on 2-15-15. Required qualifications listed in the job posting included:

- Successful management of financial systems, budgeting, facilities development, and fundraising.
- Administrative experience in strategic planning, assessment/evaluation of staff, institutional changes, and technology implementation.
- Experience working with legislators, state policy makers, and governmental agencies.
- Experience developing partnerships with K-12, four-year institutions, and business and industry.
- Master’s degree.
- The President must have the ability and mobility to serve a rural service area; local, regional, and national travel required. Must be able to work on a basis of “available as work demands” in addition to a fixed schedule. Must be available to meet the needs of the institution, regardless of time of day or day of week.

² This policy advisor is currently the Acting DOE Commissioner who was at that time the Governor’s Senior Policy Advisor for the education area, a position he started in October 2013.

Preferred qualification in the job posting included:

- Successful experience leading complex not-for-profit organizations serving children and youth.
- Recent and relevant experience as a school administrator.
- Significant experience in creating and sustaining strong academic programs focused on student learning.
- Earned doctorate.
- Superior communication/public relations skills in representing GWH and MeANS to its public and private constituencies. High visibility and community involvement is expected.

Applications were accepted until March 8, 2015 and 19 fully completed applications were submitted. The current Speaker of Maine’s House of Representatives was one of the applicants and submitted his application on March 8th. Copies of all applications were sent to Search Committee members to review and prioritize according to established criteria, with each committee member indicating whether they felt each applicant should be interviewed. The Interim President distilled the committee members’ responses down and determined the top six candidates, selecting those applicants that three or more committee members indicated should be interviewed. The Speaker was one of the top six candidates.

At this point, the selection committee expanded to include the Principal of MeANS and GWH’s Vice President of Operations. Telephone interviews were scheduled with each of the six candidates and a standard set of interview questions was developed by the Interim President for the expanded Search Committee to use. The six candidates were asked to, and did, submit their references prior to the telephone interviews.

The telephone interviews were conducted on April 22nd and 24th, three candidates on each day with the Speaker being interviewed on the second day. Since the GWH Board Chair was not available on April 22nd, the Interim President provided him the interview questions and he interviewed those three candidates separately on another day. As the MeANS Board Chair was a member of the Speaker’s staff in the House of Representatives, he recused himself from participating in the Speaker’s telephone interview.

Following the completion of the telephone interviews, the expanded Search Committee (which now included GWH’s Vice President of Operations and the Principal of MeANS) held an executive session and narrowed the top candidates to three. These three candidates were invited on campus over the course of two days (April 29th and 30th) and were given a tour, met selected parents and staff, and met with the GWH Senior Leadership Team for an interview. The Senior Leadership Team consisted of the Vice President of Operations, the Director of Finance, the Principal of MeANS, the Director of IT, the Director of Curriculum/Assessment, the Director of Admissions, and the LC Bates Museum Curator. All three candidates were asked the same questions. The Interim President notified the Speaker on April 25th that he has been selected to proceed in the selection process and the Speaker’s on campus visit was scheduled for April 30th.

On April 30, 2015, the Senior Leadership Team emailed the Interim President a memo addressed to the Interim President and Search Committee detailing their impressions of the three candidates and their desire to recommend only one candidate, the Speaker, for the Board’s consideration.

Other events occurring in early 2015 include:

- In January/February 2015, GWH applied for a line of credit of up to \$3 million as a bridge loan to finance the Moody School project.
- The GWH Interim President told OPEGA that in February 2015 he had discussions with the new Acting DOE Commissioner about GWH’s plan to get off the State COE funding. The Interim President told us he also had the discussions with a representative of the Harold Alfond Foundation (HAF).
- The GWH Board Chair and Interim President met with the Governor on March 3, 2015 as arranged by GWH’s lobbyist, who also attended the meeting. The Governor’s Senior Policy Advisor C was also there. This meeting was described as a meet and greet although the Governor talked about his interest in a new logger training program initiative and they discussed a potential role for GWH in that. The Governor was also invited to speak at MeANS graduation.

- On April 29, 2015, the GWH Interim President has a telephone call with the Governor's Senior Policy Advisor A regarding the bridge loan GWH is trying to secure for the Moody School project. The Interim President is asking for the Governor's Office to intercede and facilitate getting MCCA to sign off so GWH can close on the loan.

May 2015

On May 1st, the GWH Interim President forwards to the expanded Search Committee the memo from GWH's Senior Leadership Team recommending the Speaker for the position of President. The GWH Board Chair responded with an email to the expanded Search Committee cautioning that, despite the Senior Leadership Team's recommendation of only one candidate, the committee should stick with its established plan and recommend two candidates to meet with the Board. Other Search Committee members agreed. By May 5th, the Speaker and one of the other two remaining candidates were each scheduled for separate interviews with the both the GWH and MeANS boards to be held on May 15th.

At this time, there was a deviation from the established process as the GWH Board Chair desired to get to know the final two candidates more informally and be able to ask them some questions before the candidates' interviews with both boards. The GWH Board Chair offered to include the MeANS Board Chair and GWH's VP of Operations in this process and the Interim President sent an email to the Search Committee explaining this proposal. One member of the Search Committee raised concerns about these informal meetings but the Interim President and GWH Board Chair felt it would be time well spent. The Interim President told OPEGA the GWH Board Chair wanted an opportunity to ask the Speaker questions about his availability to spend time at GWH given his role in the Legislature. The GWH Board Chair explained to OPEGA that he wanted this additional round of interviews in part because he was troubled by the Speaker's answer to a question he asked during the telephone interview about the Speaker's relationship with the Governor. On May 6th, the Interim President emailed the two candidates separately to notify them that the GWH Board Chair would be contacting them to invite them to meet with him and the others prior to the Board interviews on May 15th.

The informal meetings with both candidates occurred on May 13th in Brunswick. Each meeting included the GWH Board Chair and GWH's Vice President of Operations. The MeANS Board was represented by its Chair, who was also one of the Speaker's legislative staffers.

The GWH Board Chair explained to OPEGA that he had a couple of key, specific questions for each candidate at these meetings. His questions for the Speaker were about the Speaker's voting record related to charter schools and his ability to work with the Governor. The Speaker recalled that his voting record on charter schools came up as a topic at each step of the interviewing process after the initial telephone interview. He also recalled that the topics of discussion at the May 13th meeting were his future political aspirations (as GWH was looking for a long-term President) and the proximity of his residence to the school (as GWH wanted a President who would be close to campus). The Speaker said they may also have talked about his relationship with the Governor at this meeting as that topic also came up in several interviews.

On May 15th, the final two candidates were interviewed by both the GWH and MeANS Boards in a structured process in which each Board separately and simultaneously interviewed one candidate and then the Boards switched candidates to conduct the second interviews. Each Board had a standard set of questions to ask each candidate. Following the interviews, the MeANS Board (along with the GWH Interim President, Vice President of Operations, and Director of Finance) joined the GWH Board to deliberate on the candidates. At the conclusion of the deliberation, the GWH Board voted unanimously for the Speaker for the position of President of GWH. Two GWH Board Members abstained from voting. One cited a potential conflict of interest as the Speaker is the leader of his party in the Maine House of Representatives and a second abstained as he had not participated in the interview or search process. The MeANS Board, which included one of Speaker's legislative staffers, did not have the authority to vote on the hiring of the President.

With the Speaker selected as the next President of GWH, the GWH Board Chair begins negotiating the Speaker's employment agreement via emails and telephone calls with some assistance from the Interim President. The Interim President met with the Speaker in the morning on May 22nd to work through some of the contract details but the negotiations and finalization of the contract were handled by the Board Chair. Special attention was paid to specifying work schedule and compensation adjustments that would be made to reflect the Speaker's limited availability during the second session of his final legislative term and to reflect what will occur if the Speaker decides to run for political office in the future. The GWH Board Chair told OPEGA that he also sought assistance from legal counsel on the contract and the contract went back and forth to the attorney.

In one email on May 18th, the Speaker asked the GWH Board Chair what the plan was for making a public announcement about him being hired for the position. The Speaker noted he had been holding back on letting too many people know because he wants GWH to make the announcement on their own terms. The Speaker also explained to OPEGA that he suggested a delay in the announcement given how heated things were getting in the Legislature at the time and that GWH could better deliver the message it wanted once the session ended and things cooled down. The GWH Board Chair and Interim President told OPEGA that the Speaker requested a delay in making a public announcement as he wanted to get through the rest of the legislative session first. The GWH Board Chair said he also did not want to make a public announcement until a contract was signed.

Also on May 22nd, the GWH Board Chair and the Acting DOE Commissioner met for lunch in Hallowell. The lunch meeting was initiated by the GWH Board Chair who had emailed the Acting Commissioner on April 24th asking to schedule a time when they could meet and catch up. According to the Acting Commissioner, the GWH Board Chair told him that GWH was considering three candidates and leaning in the direction of hiring the Speaker as President of GWH. The Acting Commissioner said they also discussed at least one of the other two candidates and that the GWH Board Chair also asked him if he had any suggestions for other individuals that might be good for the President's position. The Acting Commissioner said he was critical, at this lunch, of the Speaker being considered for the position and cited the Speaker's voting record against charter schools, his lack of experience in education or finance, and the candidate's limited availability in light of his legislative duties and geographic distance from the campus.

The Acting Commissioner told OPEGA that he left the lunch with the impression that the GWH Board Chair was not pleased with the search results, and was looking for an alternative—and better—candidate. The Acting Commissioner said the GWH Board Chair also appeared to be asking in the Acting Commissioner himself was interested in the position, which the Acting Commissioner told OPEGA he declined saying he felt he was not qualified. The Acting Commissioner also told OPEGA that the GWH Board Chair described to him the Speaker's responses to a couple of questions asked in the Speaker's interviews with GWH. The GWH Board Chair told him that the Speaker said he would only be busy three days a week with his work as Speaker during the legislative session and that he and the Governor were on good terms. The Acting Commissioner also recalled that, at this lunch or sometime after, the GWH Board Chair told him that he had decided to lower the initial salary offer for the Speaker, if he should be chosen. The Acting Commissioner believed that this was in response to his and the Governor's criticisms of the Speaker's lack of qualifications.

The GWH Board Chair acknowledged to OPEGA that at this meeting he portrayed the hiring of the Speaker as not a done deal, even though the Speaker had already been selected by that point in time, as he truly felt it was not final without a signed contract in place. He also indicated to OPEGA that he had reservations about hiring the Speaker despite his vote at the May 15th GWH Board Meeting. He was not sure whether he discussed any other candidates with the Acting Commissioner at this time, but believed he did ask a couple of times who the Acting Commissioner thought would be great for the position. The GWH Board Chair explained his initiative in discussing this with the Acting Commissioner as an attempt to see if hiring the Speaker would cause any damage to the strong relationship that currently existed between the Governor and GWH. He told OPEGA he did not perceive the Acting Commissioner's criticisms of the Speaker as insurmountable or disastrous to the ongoing relationship and support between the Governor and GWH.

On May 28th, the GWH Board Chair emailed the Speaker a proposed employment agreement.

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According to the Speaker, on June 3rd, the GWH Board Chair left him a voice mail suggesting modifications to Exhibit B to the agreement concerning possible accommodations if the Speaker were to pursue elective office in the future. The Speaker made those changes before signing the employment agreement and sending it to the GWH Board Chair on June 5th.

On June 4th, the GWH Interim President returned a call from the Acting DOE Commissioner. The Acting Commissioner explained he was going to be meeting with the Governor the following day regarding the logger training initiative (which had been discussed at the March 3rd meeting with the Governor) and he wanted an update on what GWH had been doing on this. In describing the actions taken by GWH, the Interim President explained that he would be stepping down soon as the Interim President and that the GWH Board had hired, but not yet announced, the next GWH President. According to the Interim President, the Acting Commissioner replied that GWH "would have to wait until the Legislature adjourns then." The Interim President took this as an indication that the Acting Commissioner knew who GWH had selected and he responded that he "guessed so." The Interim President told OPEGA the Acting Commissioner began pointing out that there would be issues with GWH's selection and that the selection was not a good fit for GWH. The Interim President said he described GWH's

recruitment and selection process and informed the Acting Commissioner that their selection had been the top pick of all those involved in the process. The Interim President noted to OPEGA that there was no mention of GWH's funding during this conversation. After the call, the Interim President told GWH's Director of Finance about it and that the Acting Commissioner had alluded to knowing who GWH had selected. The Acting Commissioner told OPEGA he did not recollect this conversation with the Interim President although he may have spoken with GWH's Vice President of Operations about the status of the logger training initiative.

On June 5th at 8:30 am, the Acting DOE Commissioner met with the Governor to discuss the logger training initiative and what action GWH had been taking on it. The Acting Commissioner told OPEGA that during the course of this meeting he informed the Governor that GWH was leaning towards selecting the Speaker as its next President – that the Speaker was one of the final candidates. However, the Acting Commissioner's briefing memo for the meeting, which he shared with the Governor's Senior Policy Advisor C minutes before the meeting, reflected greater certainty than the Acting Commissioner's statements. The memo states GWH's Search Committee has "completed its work and come up with a name that the board isn't overwhelmed by" and that "he starts July 1st." The Acting Commissioner told OPEGA the Governor was surprised by this news and it did not seem he had heard it from anyone else. According to the Acting Commissioner, the Governor's response to the news was that he shook his head and asked "how do you pick a charter school opponent to run an organization with a charter school?" The Acting Commissioner further explained to OPEGA that he and the Governor were concerned about how the Speaker, as GWH President, would affect GWH's ability to implement the program quickly. It was clear there was a need for good leadership at GWH and they had concerns about whether the Speaker would be able to get this program in place.

Following this meeting, a series of events took place over the course of the remainder of the day (June 5th):

- Directly after his meeting with the Acting Commissioner, the Governor reportedly attended and addressed a House Republican caucus and mentioned that the Speaker had been hired as GWH's President.
- GWH's lobbyist was contacted on her way in to work by the Governor's Senior Policy Advisor C and asked to come in to talk about GWH. The lobbyist met with Senior Policy Advisor C who asked if the Speaker had been hired as President of GWH. The GWH lobbyist did not know, but asked a colleague lobbyist at her firm who was also a GWH Board member. The lobbyist/Board Member had been on a leave of absence from the Board and did not know, but checked his GWH-related emails and found an email containing the resumes for the final two candidates, one of which was the Speaker. According to the GWH lobbyist, she then called the GWH Interim President who confirmed the Speaker had been hired. The GWH lobbyist took this information back to Senior Policy Advisor C, who expressed that the Governor was very disappointed because the Speaker was not qualified as he lacked a background in education and was a vocal opponent of charter schools. The lobbyist reported that GWH's funding was not mentioned specifically in this conversation, but she definitely interpreted from what was said that the State funding for GWH was now in question. Senior Policy Advisor C also expressed concerns over the makeup of the involved boards, specifically citing lobbyists and one of the Speaker's staff.
- At 9:53 am, the Governor's Executive Assistant emails the Acting DOE Commissioner and Senior Policy Advisor C stating that the Governor has asked for the contact information for the GWH Board Chair and asks if either of them has it.
- The GWH Interim President received two telephone calls that he recalled as coming in between 10 am and Noon. He told OPEGA the first call was from the Governor who was upset with GWH's selection of the Speaker as President and specifically asked whether GWH had looked at the Speaker's voting record. The Interim President reported attempting to explain the selection process to the Governor, who had little positive to say about GWH's selection and stated that this was a very important charter school to him and that they had lost his support. The Interim President stated there was no discussion of GWH's funding or a threat to GWH's funding. The second call was from GWH's lobbyist who told the Interim President she had been contacted by the Governor's office and was told that GWH's funding was in question. She relayed the Governor was very angry and would be reaching out to the GWH Board Chair. She also told him she had heard that the Governor had mentioned the Speaker being hired in the caucus meeting that morning.

- The Acting DOE Commissioner called the GWH Board Chair that morning after being called back to the Governor’s Office. The Acting Commissioner explained that someone in the Governor’s Office had looked at the makeup of the GWH and MeANS Boards and saw the name of one of the Speaker’s legislative staffers listed as Chair of the MeANS Board. He asked the GWH Board Chair if it was the same person and the GWH Board Chair said it was. During this same phone conversation, the Acting Commissioner said the GWH Board Chair asked how the Governor felt about the Speaker being GWH President. The Acting DOE Commissioner indicated that the Governor would not be happy with the school selecting the Speaker and that with cuts needed to the “miscellaneous costs” money in the DOE budget, it was going to be hard to justify GWH keeping that money. The GWH Board Chair informed the Acting Commissioner that he was going to arrange for a meeting of the GWH Board’s executive committee.
- At 11:30 am, GWH’s Director of Finance is called into a meeting with the GWH Interim President and the Vice President of Operations. Both the GWH Board Chair and MeANS Board Chair are initially also joining the meeting by telephone but the MeANS Board Chair excuses himself when he learns the topic of the meeting. The Interim President described his call from the Governor and the call he had received from GWH’s lobbyist indicating that the State funding was in jeopardy. GWH’s Director of Finance understood the meaning of these calls to be that the Governor was pulling his support because of GWH’s selection of the Speaker as its next President. The GWH Board Chair indicated that GWH would receive the funding if the Speaker was not hired. The GWH Board Chair said he wanted two telephone conferences set up for that afternoon—one with the GWH Board and one with the MeANS Board.
- At 12:20 pm, the Speaker emails his signed employment agreement to the GWH Board Chair. The Speaker acknowledged to OPEGA that earlier that same day he first became aware the Governor was actively trying to stop his selection when he learned from his Chief of Staff that the Governor “was trying to get him fired.” The Speaker’s best recollection is that this June 5th conversation with his Chief of Staff was the first time he learned of the Governor’s threat to withhold State funding for GWH if he were hired. The Chief of Staff heard about this from the lobbyist/Board member who worked at the same firm as GWH’s lobbyist. The lobbyist/Board member told OPEGA that, after learning about it from GWH’s lobbyist, he spoke with the Speaker’s Chief of Staff about the situation. His impression was that this was not something she had already heard.
- According to GWH’s Director of Finance, the GWH Board Chair held a telephone conference with GWH Board members at 3:00 pm, followed by a telephone conference with MeANS Board members at 3:30 pm, to discuss the State withholding the \$530,000 if the Speaker was hired. Only two or three members, in addition to the GWH Board Chair, were present for the GWH Board call. Several members of the MeANS Board, but not the MeANS Board Chair, were present for the MeANS Board call. The GWH Director of Finance was present on both calls and the Vice President of Operations was also present on the MeANS Board call. The Director of Finance told OPEGA that Board members present on both calls were all in agreement that GWH should proceed with hiring the Speaker, even if it resulted in the loss of the State funding. The GWH Interim President corroborated that, coming out of these calls, GWH was ready to move forward with hiring the Speaker. The GWH Board Chair told OPEGA that he did make it a point to talk with all Board members via telephone call throughout the process, although he did not mention these conference calls specifically. He said he did not get to talk to all MeANS Board members. He said there was consensus to move forward with the Speaker as they had time to not act immediately and they wanted to weigh all information and further assess the situation.
- The Chairman of the Board of the Harold Alfond Foundation (HAF) received two voice messages at some point during the day. The first was from the GWH Board Chair and the second was from the Governor. The Governor left his cell phone number for the HAF Board Chair to call him back. The HAF Board Chair was in Arizona at the time with a very ill friend and did not return the call to the GWH Board Chair until June 7th and did not return Governor’s call until June 8th.

On June 6th, AFA voted on the Biennial Budget bill for FY2016 and FY2017 and ended up with a “divided report”. The majority report of the Committee called for \$1.5 million to be transferred from DOE’s proposed budget for Miscellaneous “Targeted/Direct” Costs category of the GPA program to the General Purpose Aid for Local Schools category.

Over the course of the weekend of June 6th and 7th, communications between the Acting DOE Commissioner and the GWH Board Chair continued via telephone and email.

- On June 7th at 6:01 am, the Acting Commissioner responded to an email from the GWH Board Chair that appeared to be written the evening before. In his email, the GWH Board Chair mentions that the HAF Board Chair asked him to help balance GWH's finances and after five years they are now on a good path. He also stated that he would love to talk to the Governor as they share a passion and he greatly respects the Governor's views. The Acting Commissioner thanked the GWH Board Chair for his note and said he would pass his thoughts along. The Acting Commissioner told the GWH Board Chair to feel free to call him anytime on his cell phone and states that he would be "glad to hear about the results of the GWH executive committee meeting."
- On June 7th at 11:34 am, the GWH Board Chair emailed the Acting Commissioner (and carbon copied the Governor's Senior Policy Advisor A) stating that he understands and appreciates the Governor's perspective and is "working very hard on this, calling board members, staff and our attorneys." The GWH Board Chair further wrote "I can see that this will certainly be very (financially) detrimental as we have yet to make the transition to 200 students where the school becomes self-supportive."

The GWH lobbyist also reported three or four conversations occurring between herself, the Interim President, and the GWH Board Chair over the course of the weekend (June 6th and 7th) and into the following week. In an initial conversation, the Interim President asked the GWH lobbyist what GWH should do and she advised that GWH should figure out how to get by without the State funding. Other conversations focused on how to manage the situation, what to do about the Speaker, whether the Governor could actually withhold the funding, and other options for getting the funding as a separate line item in the budget.

On June 7th, the HAF Board Chair returned the GWH Board Chair's June 5th call. He told OPEGA that the GWH Board Chair wanted to inform him that GWH had entered into a contract with the Speaker to be GWH's President, that the Governor was expressing concern about that decision. The GWH Board Chair wanted to make the HAF Board Chair aware because HAF had been a big supporter of GWH. The GWH Board Chair was concerned about what GWH should do and was both informing the HAF Board Chair and asking for advice. The HAF Board Chair told OPEGA he had not heard about the Speaker being hired until then and he did not know at that time what the Governor's concerns with the Speaker really were or what the implications were, but it was concerning that the Governor was upset because he had been a big supporter of GWH. The GWH Board Chair told OPEGA that he had at least one conversation with the HAF Board Chair prior to receiving a letter from him on June 18th. He said that he thought he may have reached out to the HAF Board Chair as they talk about once a month and during that call he probably filled him in on what was going on.

According to the GWH Board Chair, at some point this same weekend (he believes it was June 6th), he sent the Governor a handwritten note by regular mail. He described the note as very positive and complimentary of the Governor's efforts related to GWH. The GWH Board Chair told OPEGA that he knew the State funding was in jeopardy and this was an attempt to preserve GWH's financial stability and make the Governor no longer mad at GWH. The GWH Board Chair also told OPEGA that it was a pivotal time at GWH and he did not think the Governor knew how bad a position GWH would be in without the State funding. The GWH Board Chair also wanted to see the logger training initiative go forward.

The Governor responded to the GWH Board Chair with a handwritten note of his own, which the GWH Board Chair told OPEGA he received also by regular mail shortly after he sent his note to the Governor and before he received the formal letter from the Governor on June 8th. He described the Governor's note as reasonably upbeat and containing a statement something along the lines of "I would have trouble supporting Hinckley if you hire such a hack." The GWH Board Chair stated that there was no explicit mention of funding being cut and that he no longer has the note.

The GWH Board Chair also recalled having two conversations with the Governor's Senior Policy Advisor C, but did not provide any specific dates. He recounted that one of these times the Senior Policy Advisor C contacted him specifically to say that "we would have trouble supporting GWH if you hire the Speaker." The GWH Board Chair said he asked what would happen if GWH picked another Democrat instead and Senior Policy Advisor C was very clear that this was not an issue because the Speaker is a Democrat. They felt the Speaker was unqualified for the position and they could not support an organization that would make this selection. The GWH Board Chair said that in the other conversation he had with Senior Policy Advisor C he was informed that their lawyer would like to speak with him.

According to the Speaker, his best recollection is that it was around June 8th when the GWH Board Chair first made him aware that the Governor was upset that GWH had hired him. The Speaker told OPEGA that he and the GWH Board Chair began talking about how to address the situation which included preparing for the roll-out of the public announcement that the Speaker had been hired. GWH's Interim President told OPEGA that, having learned the Governor had mentioned the Speaker's hiring in a caucus meeting, GWH felt they needed to make a public announcement.

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On June 8th at 2:20 pm, the Governor's Executive Assistant emailed the GWH Board Chair, and the MeANS Board Chair (as well as carbon copying GWH's Interim President, the Acting DOE Commissioner and others in the Governor's Office), a letter from the Governor criticizing GWH's selection of the Speaker, questioning the Speaker's ability to lead the mission of MeANS, and urging them to continue the selection process until they find a President that is truly qualified to lead GWH and MeANS.

On June 8th at 3:27 pm, the GWH Board Chair responded to the email stating that he speaks for GWH in saying they are very sorry to have lost the Governor's approval.

Also on June 8th, the HAF Board Chair returned the Governor's June 5th call. The HAF Board Chair stated the Governor expressed regret because they had both been strong supporters of GWH and MeANS, and he would not in good conscience as Governor be able to support the school with the Speaker in place as GWH President. The HAF Board Chair said the Governor mentioned that the Speaker was a vocal opponent of charter schools and expressed his view that the Speaker's competency level was not the same as the prior GWH President or current Interim President. The Governor also mentioned that the Speaker lived in Berwick and the school was in Fairfield. The HAF Board Chair said the Governor did not put any pressure on him to do anything about the situation and, in fact, the Governor said that the contract had already been signed and there was nothing he could now do about it. The HAF Board Chair explained that in the time period between his June 8th call with the Governor and the letter he sent to the GWH Board Chair on June 18th, he took action to determine what the loss of the Governor's support meant financially. He reached out to the former GWH President and the GWH Board Chair. By the time he sent the June 18th letter to GWH, he was clear that the "support" was the \$530,000 in State funding GWH was receiving for its residential program. He was also pretty clear that the threat to the funding was connected to the hiring of the Speaker.

On June 9th a series of events occurred:

- At about 8:15 am, the Acting DOE Commissioner attended a regularly scheduled Cabinet Meeting with the Governor. The Acting Commissioner told OPEGA that the Governor brought up that the Speaker had been hired and commented something like "can you believe they hired someone who isn't qualified for the job?" The Acting Commissioner stated that the Governor did not mention GWH funding at this meeting and that it was more of a "venting session." The Acting Commissioner said he told the Governor that he "might just hear something by the end of the day", intimating that the Speaker may not end up the GWH President. The Acting DOE Commissioner told OPEGA he made this remark because he thought the controversy that was building was something that both GWH and the Speaker would want to avoid and that one or both might reconsider.
- At 10:15 am, the Acting Commissioner emailed the Governor's Director of Communications, Chief of Staff, and Senior Policy Advisor C forwarding the GWH press release with the announcement that GWH has hired the Speaker. The announcement was released through the Speaker's office. According to the Speaker, he had collaborated with GWH on the roll out of the announcement and the GWH Board Chair told him what Board members wanted him to be saying publicly.
- At 10:30 am, the Bangor Daily News posted the first media report of the Speaker being selected as GWH's new President. The article also mentions that the Governor responded to the news with a "scathing" letter to GWH.
- The Acting DOE Commissioner next attended a regularly scheduled DOE Lead Team Meeting (shown on his calendar as being scheduled for 11:00 am), which typically includes staff from the Commissioner's Office and department heads. There was discussion at the Lead Team meeting about the news of the Speaker being hired as GWH's President and the Governor's criticism of that decision. The discussion ultimately led to the Acting Commissioner directing DOE's Director of School Finance and Operations to attempt to stop the \$132,500 payment of COE funding she had just recently processed for GWH's FY2016 first quarter. OPEGA interviewed four

individuals who were present for this discussion, including the Acting Commissioner, and got differing accounts of when in the meeting this was discussed, how the discussion started, and whether or not the Acting Commissioner conveyed to those present that the Governor was considering, or had decided not to, continue funding GWH. Consistent among all accounts, however, is that the DOE Director of School Finance and Operations tells the group that, consistent with her past practice, she had already submitted the payment manifest for GWH's 1st quarter payment of FY 2016 and she asked the Acting Commissioner if she should try to hold that payment. The Acting DOE Commissioner paused and thought it over before deciding to hold payment.

- All accounts next describe the Director of School Finance and Operations leaving the meeting and taking steps to stop the payment, reaching out to the DOE School Finance Consultant and a DAFS Accounting Technician.
 - At 10:24 am, the Director of School Finance and Operations emailed the DOE School Finance Coordinator asking her to call a DAFS Accounting Technician and “pull the manifest for MeANS – ASAP.” The School Finance Coordinator then emailed the DAFS Accounting Technician and asked if he can let her know if he can stop the payment.
 - At 10:35 am, the School Finance Coordinator emails the Director of School Finance and Operations to notify her that the DAFS Accounting Technician is going to try to stop it, but it has already gone to the Office of the State Controller. The DAFS Accounting Technician emails the Office of the State Controller's Accounting Staff making a request to reject the payment manifest that he had sent the day before.
 - At 11:08 am, the Office of the State Controller's Accounting Staff emails the DAFS Accounting Technician (as well as copying everyone previously involved in stopping the payment) to let him know that the document has been rejected and is on the way back to him.
- According to the Acting Commissioner, the Director of School Finance and Operations returned to the Lead Team meeting without knowing the outcome of her request to stop payment, but later on that day informed him that the payment manifest had been pulled.

The Acting DOE Commissioner also told OPEGA about a conversation he had with Governor in which the Governor told him that he did not want to send any funds to GWH that were not required by law. The Acting Commissioner thought the Governor's Senior Policy Advisor C was also present for that conversation, but the Acting Commissioner could not recall when exactly this conversation took place. He explained to OPEGA that he did not think it occurred prior to the Lead Team meeting as, if it had, he would not have needed to think so long about whether to pull the payment manifest. The Acting DOE Commissioner explained the rationale for his decision as being rooted in not knowing what would occur between GWH and the Governor, or even what would occur with the FY2016 and 2017 budget as a whole. He believed it would be easier to issue payment a week later (if funded) rather than making the payment in error and trying to get the funds back from GWH. The Acting Commissioner also cited fundamental problems with issuing payments before the budget is finalized and said this practice has now ceased.

On June 10th, the Interim President's Administrative Assistant emails the Speaker to set up dates and times with the Interim President to begin his transition and attend GWH-related meetings with outside parties.

On June 11th, numerous emails are exchanged by GWH Board members with the GWH Board Chair praising the Speaker's diplomacy during this period and noting that “the funding is a primary focus and while we would find it hard to believe anyone would change the lives of our residents in a personal spat, we are very focused on plans B, C, and D.” The GWH Board Chair also inquires of Board Members' political affiliations, specifically those identifying as Republicans or Independents, to dispel the notion that the Board is dominated by Democrats and that the selection of the Speaker was political patronage.

Also on June 11th, the Speaker writes the Executive Director of the State of Maine Commission on Governmental Ethics and Election Practices (“Ethics Commission”) to request an advisory opinion as to whether it would be a conflict of interest if he voted on a budget that contains funding for GWH. The Speaker's letter explains the general timeline of events related to his application and acceptance of the position of GWH President and the inclusion of the funding in the Governor's budget. The Speaker told OPEGA his request for an advisory opinion stemmed from his desire to be “abundantly cautious.”

During this same period, GWH and its Board Chair were taking other actions. The Interim President, GWH Board Chair and GWH's lobbyist were trying to get the funding into its own line item in the still-evolving budget but nothing materialized from this. The GWH Board Chair noted that he specifically did not enlist the Speaker in this effort because he did not want it to appear as though the Speaker was "feathering his own nest." The GWH Board Chair was reaching out to other donors and foundations in an attempt to replace the funding. He told OPEGA of several funders he reached out to but without success. The HAF Board Chair and the Speaker also recalled that the GWH Board Chair was working hard trying to raise the money from other sources during this time. The GWH Board Chair also asks the Speaker to come to the Board's regularly scheduled June 19th Board meeting prepared to discuss his ideas for replacing the \$530,000.

June 15 - 21, 2015

On June 15th, the Executive Director of the Ethics Commission responds in a letter to the Speaker that it is the opinion of the Ethics Commission staff that it would not be a conflict of interest for the Speaker to vote on LD 1019, the State budget, even though the bill provides \$530,000 in continued funding to GWH. The Commission's rationale for its opinion included the following facts as researched by the Ethics Commission:

- In the past three fiscal years, the program has been funded \$530,000 annually and LD 1019 proposed to continue the same level of funding for fiscal years 2016 and 2017.³ The funding supports the Campus Life Program of the MeANS school and represents 11% of the total combined revenue of MeANS and GWH.
- The GWH Director of Finance (who had consulted with the School's Director of Admissions) believed that the loss of the funding would have no significant impact on the number of students attending the School and would not expect a change in the salary of any manager or the laying off of any faculty or administrative staff.
- The amount of the President's salary is not dependent on the amount of any revenue stream.

Also on June 15th:

- AFA "reports out" the Biennial Budget bill LD 1019. The majority report still calls for \$1.5 million to be transferred from DOE's proposed budget for Miscellaneous "Targeted/Direct" Costs category of the GPA program to the State Subsidy for Local Schools category.
- The HAF Board Chair met with the GWH Board Chair, possibly over dinner, at the HAF Board Chair's invitation. Later that week, the HAF Board Chair asked the HAF's consultant to perform a second assessment of GWH's finances. The HAF Board Chair did not know exactly when the consultant started the assessment but they had agreed the consultant should wait until the close of either GWH's fiscal year, month end, or HAF's receipt of the next standard quarterly report from GWH. The GWH Board Chair told OPEGA that in his discussion(s) with the HAF Board Chair, the HAF Board Chair told him that he wanted to engage the consultant again to do another assessment of GWH's finances and business plan. He said about half of the HAF Board had been worried, given past GWH history, that State funding was not something that could be relied on and they would probably be sending GWH a letter but not to take it personally. The GWH Board Chair did not recall exactly when his discussion(s) with the HAF Board Chair took place.
- On June 17th, the Legislature passed the Biennial Budget bill for FY2016 and FY2017. It still called for \$1.5 million to be transferred from DOE's proposed budget for Miscellaneous "Targeted/Direct" Costs category of the GPA program to the State Subsidy for Local Schools category.

Several events occurred on June 18th:

- The HAF Board Chair sent a letter to the GWH Board Chair expressing HAF's concern over the "likely" loss of \$1,060,000 in State funding over the next two years for the residential program, and its serious concern about what that meant to the future viability of GWH and MeANS and by extension GWH's ability to achieve the goals

³ The Acting DOE Commissioner noted to OPEGA that the Ethics Commission was mistaken in its description. LD 1019 makes no mention of Good Will-Hinckley or this funding specifically in any of its forms or amendments. The funds come from a larger line item called Miscellaneous "Targeted/Direct" costs. OPEGA has described the nuances of how this funding is captured in the budget in a prior section of this Information Brief.

underpinning the HAF's September 10, 2014 grant to GWH for renovating and expanding the Moody School. The letter also informs GWH that given HAF's concerns they have re-engaged the consultant to revisit the GWH and MeANS budget and financial forecasts. The letter goes on to describe the specific assumptions the consultant relied on in his previous assessment and the financial challenges he pointed out at that time.

- The Speaker emailed the GWH Board Chair a copy of the memo he is prepared to discuss with the Board at their meeting the following day. The GWH Board Chair emailed the Speaker later that day informing him that there is more bad news as he received a letter from the Harold Alfond Foundation. The GWH Board Chair summarized the contents of the letter as essentially that the HAF is suggesting GWH is in jeopardy of violating their contract concerning their gift for the new school and HAF has hired someone to objectively evaluate GWH's finances on their behalf. According to one GWH Board member, the GWH Board Chair also emailed the Board members that evening about receiving the HAF letter.
- According to the Acting DOE Commissioner, the GWH Board Chair called him to ask if the Governor would be happy with GWH again if it disconnected itself from the Speaker. A member of the GWH Board had asked the GWH Board Chair to inquire about this. The Acting Commissioner told OPEGA that his response was that he "thought so" as long as the person running the school was capable, that GWH needed someone who was qualified and the Speaker was not the person for the job.

On June 19th, the GWH Board Meeting held its regularly scheduled Board meeting. The original primary agenda item was review and discussion of the GWH and MeANS budgets and the Speaker had been invited to attend as part of transitioning to his position as President. At the beginning of the meeting, the GWH Board entered Executive Session and reportedly talked through the ramifications of the loss of State funding and the GWH Board Chair's receipt of the letter from the HAF. The GWH Board Chair had one copy of the HAF letter with him and other Board members interviewed said he either read it to the Board or circulated it for those who wanted to read it. Following discussion about the financial risk GWH now faced, the Board agreed that unless the Speaker had an adequate plan to address the potential loss of state funding, they would offer him the option of stepping down as President as the circumstances surrounding the school and the position had certainly changed from when he first applied.

After the Executive Session, the Speaker and GWH's Director of Finance joined the Board meeting and discussion of the potential loss of State funding and the ramifications for the HAF grant continued. The Speaker presented his memo which stated he wanted to demonstrate to the GWH Board that he fully understood the seriousness of the potential loss of State funding and that he also understood there remained "some uncertainty about other future funding sources, primarily from current major donors that have supported GWH and its mission for years." The memo described four particular strategies the Speaker proposed implementing to address the immediate challenges. GWH's Director of Finance told OPEGA that the Board did not seem to welcome the Speaker's solutions and instead the GWH Board Chair said that it would not be enough, referencing the HAF letter. The GWH Board Chair told OPEGA he saw the Speaker's memo as a one-year plan when GWH was facing a 30 day liquidity crisis. The Board went on to discuss with the Speaker how the situation had changed and that this was not the same job he signed up for. All those OPEGA spoke with said the message to the Speaker in this meeting was that his options were either to join a potentially sinking ship or resign. The Speaker said he wanted to think it over and the GWH Board Chair walked him out of the meeting. The GWH Board Chair and the Speaker agree to discuss the matter on Sunday (June 21st).

That Sunday, June 21st, the Speaker and the GWH Board Chair communicated via both telephone calls and emails. The GWH Board Chair told OPEGA he spoke with the Speaker on the telephone in the afternoon and the Speaker informed him that he was not going to resign, that he had retained a lawyer and needed to think of his career and family. The GWH Board Chair said he feared the Speaker was going to litigate GWH and felt it was best to end the conversation. However, there were subsequent emails that evening:

- At 4:52 pm, the Speaker emailed the GWH Board Chair in response to a voicemail he left 60 minutes earlier requesting an immediate, short-term plan to address the loss of State funding for the residential program. In the email, the Speaker recommends developing a strategy that would "take immediate steps toward persuading the Governor to withdraw his improper threat." The Speaker's email also states "You have explained that the Governor communicated directly to you through a note that he will withhold this money unless I am replaced as the new President. I believe the Board has good grounds to move forward in asking the Governor to release the money that has been appropriated for Good Will-Hinckley". The Speaker acknowledges his prior suggestions were more mid- to long-term

solutions for the financial sustainability of the program but he wants to work with the Board as incoming President to address the immediate pending financial crisis.

- At 7:46 pm, the GWH Board Chair replied via email that he would convey the Speaker’s suggestion to the GWH Board and notes that he respects the Speaker’s interest in representing the best interests of his family. The GWH Board Chair’s response also stated that he appreciates the Speaker’s willingness to reach out to the Governor and that the Speaker should not construe the fact that he has not addressed every point in the Speaker’s email as any confirmation of those points.

June 22 - 30, 2015

On June 22nd at 10:20 am, the Speaker’s attorney reached out via telephone and email to the Governor’s Chief Counsel in what he described as an attempt to get the Governor to withdraw his threat. A second email from the Speaker’s attorney to Chief Counsel at 11:01 am thanked her for returning his call and provided her with a First Circuit US Court of Appeals decision and another court ruling they had apparently discussed. The Speaker’s attorney told OPEGA that the Governor’s Chief Counsel subsequently contacted him by telephone on June 23rd and informed him that she had conferred with the Governor and he would not withdraw his threat. The Speaker told OPEGA that he had also reached out to the Governor’s Deputy Chief of Staff to try to arrange a meeting with the Governor but the call was not returned.

Following his June 21st exchanges with the Speaker, the GWH Board Chair reached out to the other Board members and arranged for a Board meeting to occur via conference call on June 24th.

On June 24th at 4:30 pm, the GWH Board holds a meeting via conference call. The GWH Board Chair reported that the Speaker did not want to resign and had retained counsel. Minutes from this meeting indicate the Board discussed their role in acting as fiduciaries in the best interest of GWH, the HAF letter, the hiring of the Speaker and the Speaker’s relationship with the Governor, the Speaker’s proposals for addressing any loss of funding, and the Speaker’s attempt to communicate with the Governor. They agree the only course of action is to terminate the Speaker’s employment contract and the Board voted unanimously to do so. At this meeting, the Board also voted to appoint GWH’s Vice President of Operations as the new Interim President. The meeting adjourned at 5:15 pm.

Other events occurring on June 24th include:

- At 4:52 pm, the *Bangor Daily News* posted a story on the Harold Alfond Foundation’s letter to GWH raising concerns about the possible loss of \$1,060,000 in State funding. The story said an anonymous source close to the GWH Board said the loss of funding was linked to the school’s decision to hire the Speaker. The story also said the Governor’s Press Secretary indicated that through DOE the Governor had discretion over the funding for GWH. This news story appears to be the first public report about the possible withdrawal of State funding for GWH.
- At 5:33 pm, GWH’s new Interim President emailed the Speaker a letter from the GWH Board terminating his employment.
- At 5:49 pm, the *Bangor Daily News* posted a story that GWH had rescinded its offer to the Speaker and quotes the Speaker’s attorney as saying the Speaker has been “terminated.... without cause”. The story also reports that the Speaker has released a statement accusing the Governor of blackmailing the school by threatening to withhold funding.
- At 7:07 pm, GWH’s lobbyist emailed the Acting DOE Commissioner and asked whether he had seen that GWH rescinded the Speaker’s contract.

On June 25th, the *Portland Press Herald* reported on an interview it conducted with the Speaker where the Speaker describes what had occurred with GWH and the Governor’s threats to withhold funding if he was President of GWH. In this article, the Speaker’s attorney mentions the handwritten note the GWH Board Chair said he received from the Governor conveying that threat.

Also on June 25th at 5:29 pm, the Maine Center for Public Interest Reporting posted an article about the Governor taking action, through DOE, to withhold a payment in process for GWH.

On June 27th, the Acting DOE Commissioner and the Governor’s Senior Policy Advisor C are discussing via email the \$5.5 million in budget adjustments to categories within the GPA program that are included in the Biennial Budget bill for FY2016 and FY2017 in relation to arguments they might make. In one email, the Acting Commissioner states “They also cut \$1.5 million from Misc. Costs directly which was for our 30 year old certification system.”

On June 29th, in a taped interview with a WMTW reporter and others, the Governor admitted to threatening to withhold funding from GWH due to the hiring of the Speaker. The Governor also said that, unbeknownst to him at the time, the Legislature had already taken the money for GWH out of the budget. In response to a reporter’s question as to whether he threatened to withhold funding, the Governor said “I did. If I could I would. Why wouldn’t I...” and went on to explain his reasons for being against the Speaker as GWH’s President.

On June 30th, the Acting DOE Commissioner and the Governor’s Senior Policy Advisor C are discussing via email the draft of a DOE press release on GWH funding and the budget adjustments made by the Legislature. DOE issues that press release on July 1st.

Also on June 30th, the Legislature overrides the Governor’s veto of the Biennial Budget bill for FY2016 and FY2017, LD 1019.

According to the GWH lobbyist, at some point in the month of June, although she cannot recall exactly when, she talked with the Governor’s Senior Policy Advisor C about other individuals who might be qualified and interested in the GWH President position. The GWH lobbyist reached out to an individual she knew that might be interested and had good qualifications and relayed back to Senior Policy Advisor C that she had contacted that person. The GWH Board Chair told OPEGA he also discussed potential alternative candidates with the GWH lobbyist at some point as she knew someone who might be interested, although the GWH lobbyist maintains that the only person she spoke with about possible candidates was Senior Policy Advisor C.

July 1 - 11, 2015

During this time, the Acting DOE Commissioner worked with the new GWH Interim President to establish a new written agreement between DOE and GWH for the FY2016 – FY2017 funding. In a letter to GWH dated July 6th, the Acting Commissioner states that as soon as the agreement is signed, DOE will send the first quarterly check for FY2016. GWH’s Interim President returned the signed agreement on July 8th and DOE submitted the payment manifest for GWH’s first quarterly payment on July 11th.

Explanations for Actions Taken by the Administration, HAF and GWH

Actions Taken by the Administration

The Governor and his staff declined to speak with OPEGA citing pending litigation against the Governor. However, the combination of interviews OPEGA conducted with others, the Governor’s June 18th letter to GWH, and comments reflected in media stories portray consistently the Governor’s and Acting DOE Commissioner’s primary objections to the Speaker becoming the next President of GWH.

In all accounts, the Governor was described as having been one of GWH’s biggest proponents and, without his support of State funding for GWH, the school might not even exist today. Since taking office in 2010, the Governor has provided discretionary state funding via the Center of Excellence for At-Risk Students to GWH totaling \$1.92 million from FY 2012 through FY 2015; was an ardent charter school proponent as GWH opened Maine’s first charter school; consistently looked for other opportunities to partner with GWH, such as the recently proposed logging program initiative; and, in general, supported the mission of the organization in part because he was a former at-risk youth himself.

In addition to his support of GWH, the Governor was described by the Acting DOE Commissioner as a businessman and one who would not invest taxpayer funds in poor investments or badly run programs. The Acting Commissioner, and reportedly the Governor, both held firm beliefs that GWH needed strong leadership, particularly from someone with a background in education, school administration or finance; who supported all aspects of GWH’s operations (specifically the charter school); and would be fully dedicated and available to the organization. According to the Acting Commissioner, both he and the Governor, felt strongly that the Speaker did not meet these qualifications, would not run GWH well and, therefore,

it would be a poor taxpayer investment to continue funding GWH. The Acting Commissioner explained there were a lot of other places they could invest to help at-risk youths.

The Governor's and Acting Commissioner's specific objections to the Speaker being President were that:

- he had been a vocal opponent of charter schools and, therefore, should not be in charge of one partly because he would not be seen as credible when seeking outside support for MeANS;
- he did not have a background in education and the Governor's experience with the Speaker showed that he also did not have good skills in leadership, negotiation, and conflict resolution;
- he got the position because of cronyism, as several members of the GWH and MeANS Boards had connections to the Speaker; and
- his work as Speaker of the House and the distance from his residence to the school would keep him from being fully committed to and engaged with GWH.

The Governor also suggested in his letter that the Speaker mischaracterized the nature of his relationship with him.

OPEGA spoke to a number of individuals at GWH involved in the recruitment and selection process for the President's position and reviewed numerous documents related to that process. From this work, we made the following observations:

- GWH established in advance, and consistently adhered to, a candidate selection process that was well documented, thorough, thoughtful, and fair for all candidates and provided opportunity for meaningful input from both the GWH and MeANS Boards, as well as staff, parents and students. The only exception to following the pre-established process was the informal meeting held on May 13th with the top two candidates in Brunswick. There were no decisions made about the candidates from this meeting.
- The Chair of the MeANS Board, who is a legislative staffer for the Speaker, was a member of the GWH Search Committee. However, he recused himself from participating in the telephone interview with the Speaker and did not comment on whether or not the Speaker should move on as one of the top three candidates. As it was only GWH Board members who could vote on the matters regarding the President position, he did not participate in those votes. He did participate in the informal May 13th interviews with top two candidates to represent the MeANS Board, but again there were no decisions coming out of those meetings. Another GWH Board member who is under the Speaker's leadership in the House of Representatives was not a member of the Search Committee and recused himself from Board votes involving the Speaker. Two lobbyists who know the Speaker from their work in the Legislature also sit on the GWH Board. One was on a leave of absence from the Board and did not participate at all in the selection process. The other was a member of the Search Committee but disclosed his affiliation with the Speaker once it was known that the Speaker had applied.
- There were 19 applications reviewed by the Search Committee and, of the five Committee members that provided input, there was consensus that the Speaker should be interviewed. Records show that the GWH Board Chair did not provide input from his review of the applications. Following the telephone interviews, there was also the consensus of 7 of the 8 members of the expanded Search Committee (the MeANS Chair did not comment) that the Speaker was one of the top three to be invited for a campus visit. Two of them, however, did so with some reservations apparently associated with the Speaker still having commitments to the Legislature. The scoring grid compiled from the telephone interviews showed that the candidates were ranked on mission fulfilment, organizational oversight, fostering productive partnerships, advancement, cultivating a collaborative culture, education, and personal and professional qualities.
- Search Committee members, and other Board members and staff OPEGA spoke to, generally felt GWH and MeANS had strong management teams to handle the day to day operations and so, for the most part, they were looking for a strong leader who could be successful in an outward facing role, similar to the role the immediate past President had served. One Search Committee member commented that they needed an executive who had a skill set for the whole of GWH, i.e. Glenn Stratton school as well as MeANS, and they did not see having a breadth of charter school experience as a critical or necessary for this position. They did want a candidate who had experience interacting with kids in environments where learning took place but they did not need a superintendent. For GWH's next President the Search Committee, staff and Board were looking for someone who:

- would bring strong leadership;
 - would be available and willing to make a commitment to the school, including being physically present on campus;
 - could build and maintain key relationships, particularly external relationships;
 - could take on a capital campaign effort and be successful in raising funds;
 - had a strong understanding of finances particularly with non-profits, grants, and State funding;
 - had a commitment to education and an understanding of kids’ needs; and
 - was personable and would be accessible to staff
- Following the campus visits, the GWH Senior Leadership Team recommended only the Speaker for the Board’s consideration. The Senior Leadership Team’s memo to the Search Committee was very clear, specific and thoughtful in its assessments of all three of the candidates and the reasons for its recommendation. In making its recommendation, the Senior Leadership Team noted that: the Speaker’s interview was impressive, authentic and believable; his leadership style and polished approach made the entire group feel comfortable and at ease; his extensive clinical experience would put him at an advantage with GWH’s population; his skill set presented the best balance of executive administration and fund raising experience; and he would make a great impression on the constituents of GWH and be an ideal face of GWH. The Senior Leadership Team also noted that the Speaker’s network of connections could bring opportunities to GWH, but he would likely need some guidance with respect to development and advancement. One concern of great significance to the Team, however, was the Speaker’s geographic proximity to GWH and willingness to relocate either on or near campus. The Team noted that the Speaker never really committed to the idea, but did say it was an option for consideration.
 - Interviews with other Search Committee and Board members confirmed that the Speaker was seen as very articulate and his answers to questions in interviews were clear and relevant. They noted he had a very good presence and they liked his approach more than the other candidates. He also was seen as having broader, general experience and more of what they were looking for in leadership and fundraising.

We also noted that the topics that were of most concern to GWH and MeANS were well vetted with the top candidates, including the Speaker, throughout the various interviews as evidenced by the structured, standard interview questions used. The Speaker also was questioned on additional areas of specific concern relevant to him. According to members of the Search Committee and the Speaker himself, he was questioned multiple times throughout the interview process on five topics:

- his past and current position on charter schools;
- his availability to GWH while serving as Speaker of the House;
- his proximity to the campus and willingness to relocate;
- his future political aspirations; and
- his relationship with the Governor.

According to the Speaker, his responses to questions related to his position on charter schools cited the difference between GWH’s charter school and for-profit charter schools⁴, as well as emphasizing the similarities of GWH’s work (not just MeANS) to the work he has done over the last 15 years. The Speaker also talked about the funding “fix” moving forward during that legislative session that would address the tension between charter schools and public schools and was one of his primary oppositions to charter schools in the past. These explanations appeared to satisfy those OPEGA spoke with.

The Speaker’s availability given his obligations and time commitments associated with his position as Speaker of the House was also discussed multiple times. This was reportedly a key issue for the entire Search Committee and staff as they sought someone who could fully commit to GWH. The Speaker was clear in his response that he intended to continue as Speaker of the House for the second session, but explained that he had developed a legislative staff that was very capable and less time would be required of him during this shorter session. He also stated that, other than during the legislative session, he would be available full time to GWH and that during session he was willing to do night and weekend work. The Speaker reported planning to work a reduced GWH schedule (with a reduction in compensation commensurate to the hours worked at GWH) during the legislative session. We noted this is reflected in his signed employment agreement.

⁴ The Acting DOE Commissioner noted to OPEGA that all charter schools in Maine are, by law, non-profits.

As for his proximity to the school, the Speaker explained that he needed to remain where he was living until his legislative term concluded. The Speaker reported that GWH made it clear that the ideal scenario would be a President either living on campus or in the area. He did not commit to moving after his legislative term ended, but left it as a possibility and we noted his employment agreement included incentives to encourage that move.

The Speaker was also asked about his future political aspirations, as GWH sought a long-term President. The Speaker reported explaining that he could not absolutely rule out running for political office for the rest of his life. The Speaker's employment agreement reflects the conditions that would be effective should the Speaker pursue another political office.

Throughout the course of the interviews, the importance of GWH's relationship with the Governor was also communicated to the Speaker. The Search Committee and Board members we interviewed said that in response to questions on this topic, the Speaker described the relationship as professional, workable, and mutually respectful. He acknowledged they did not always agree on everything but that he was willing to put partisanship aside and continue to work with the Governor. The Speaker reported characterizing his relationship with the Governor as being "as good as anyone else's." The Speaker also emphasized his own efforts to not burn bridges and indicated a willingness to reach out to the Governor to partner on GWH-related matters. The Speaker told OPEGA that he and the Governor had been having monthly breakfast meetings since the start of the legislative session, an outreach effort that had been initiated by the Speaker in a reported attempt to have a better functioning relationship. The Speaker told OPEGA that the Governor discontinued those meetings in April or May when issues began arising with the budget and other matters. At the time of interviews, he thought it would take work to rebuild a relationship with Governor but he was willing to do that and believed he could do that.

Actions Taken by the Harold Alfond Foundation

According to the HAF Board Chair, HAF has been a longtime supporter of GWH and its residential education program. He explained that when State funding for that program dried up under the previous Administration, GWH went into receivership and the HAF was called upon to temporarily release restricted funds held in the school's endowment that had previously been contributed by HAF. He told OPEGA that GWH's insolvency posed a challenge of how, if ever, the school could be rehabilitated and brought back into operation. This insolvency period reaffirmed HAF's belief in the importance of strong funding budget plans and insisting on financial accountability by HAF's grantees anytime new grants are advanced. It also heightened HAF's concern over State funding and its impact on GWH operations.

When the HAF Board Chair learned that the \$530,000 in annual State funding for the residential program was in jeopardy, he researched what the \$530,000 meant to GWH's business plan. He determined that State funding for residential programming was a material component, making up nearly 20% of the revenues GWH had built into its revenue projections. As part of its monitoring of the grant award, the HAF wanted to see GWH making annual progress on increasing revenues and decreasing cost per student. The HAF Board Chair explained, however, that the key metric is the number of students. As a charter school, MeANS's financial picture improves as the number of students increase. Unlike other charter schools in Maine, MeANS has the benefit of a residential program to grow enrollment and residential programming is key to the model for a successful self-sustaining MeANS.

The HAF Board Chair further explained that GWH's long term plan was to grow to 210 students and replace State funding for the residential program through growing enrollment and raising private funds, but the HAF realized this was going to take time. Consequently, State funding to cover residential costs was considered of vital importance to the school's long term sustainability at this time, just as it was in 2011 with the HAF's grant to KVCC and GWH and at the time of its 2014 grant for the Moody School. The HAF Board Chair was acutely concerned that the loss of State funding at this time would be a major negative blow to the organization. In his view, it most certainly would have changed the financial model going forward and thrown GWH off track unless it could be replaced by another external funder.

The HAF Board Chair said he had multiple conversations with the GWH Board Chair about what GWH was going to do about the potential loss in State funding. He recalled that there were several options being considered at that time which included: 1) raise the money from other external sources, 2) see what the Speaker had for ideas, 3) get the Speaker and the Governor to get together and resolve this, 4) terminate the Speaker's contract, and 5) limit the scope of the residential program to those who could afford to pay room and board fees.

The HAF Board Chair explained to OPEGA that the HAF holds its grantees accountable and he felt it prudent to send the June 18th letter communicating these concerns, as well as to engage the consultant to perform an updated assessment of GWH's financial situation. He told OPEGA that he did allow for the possibility that GWH could replace the funding, or manage without it, and that he used the words "likely loss" in the letter because he was not certain at that point that the funding would be pulled.

He said he communicated both in the letter and his conversations with the GWH Board Chair that the HAF grant was conditioned upon GWH achieving its performance goals, including funding and expansion of the residential program, but at no time did he communicate, or intend to communicate, that the HAF would definitely withhold its grant funds if the State funding was lost. He also said there was no pressure on him from the Governor or anyone else to send the letter. The decision to do so was his own. He did talk with some HAF Board members about it but there were no formal Board discussions. The Board expects him to take care of these types of situations.

Actions Taken by Good Will-Hinckley

OPEGA observed that there were differing perspectives among those at GWH on what the loss of \$530,000 in State funding for FY2016 and FY2017 would mean to the organization. We also note that there does not appear to have been any full financial analysis of the impact to support any of these perspectives or for the Board to review in making any of its decisions about how to address the situation.

In mid-June, the GWH Director of Finance communicated to the Ethics Commission that, based on his conversations with the MeANS Director of Admissions, cutting the \$530,000 in State funding from the budget would not have a significant impact to the number of students attending MeANS and would not result in any salary cuts or staff reductions. The Director of Finance told OPEGA that from his perspective GWH could have managed without the \$530,000 and that there was time to make adjustments for the loss of State funding before it would have been critical. It would have been difficult but they could have done it.

This perspective differed significantly from that of the GWH Board Chair who indicated to OPEGA that even if they just cut the Campus Life Program substantial fixed costs would still be incurred and could not be reduced. He said only \$200,000 could be cut if they stopped the program, and the school would be losing funds as each residential student left the program. The GWH Board Chair commented that the GWH Director of Finance may have provided information to the Ethics Commission before the receipt of the letter from the Harold Alfond Foundation. The GWH Board Chair also expressed that he believed that the loss of the \$530,000 would mean an immediate cash flow crisis for GWH.

The GWH Interim President also expressed a different perspective in a June 15th email to the Director of Finance. He was not sure GWH's student numbers would not be significantly impacted if the residential program went away. The Interim President said he would defer to the GWH Director of Finance and the Director of Admissions, but he was concerned it may be perceived that the \$530,000 would not have a significant impact on students currently or anticipated to attend MeANS.

Regardless of the differing perspectives, the GWH Board initially decided to stick with its decision to hire the Speaker even though it seemed the \$530,000 would likely be lost and issued a press release announcing the Speaker as the new President on June 9th. According to the GWH Board Chairman, they felt they had some time before July 1st to figure out how to replace the funding from other sources or manage without it. He and others OPEGA interviewed described various efforts GWH and its lobbyist made to try to compensate for the expected loss.

The degree of financial uncertainty GWH faced, however, increased with the receipt of the June 18th letter from the HAF. According to the GWH Board Chair and other Board Members, the consensus thinking in the June 19th Executive Session of the Board was that without the \$530,000 for the residential program, residential students would have to be turned away, which would only further decrease revenues and create a downward financial spiral that could put the balance of the HAF grant at risk. Without the HAF grant funds, the school would likely default on the bridge loan it had obtained for the Moody School renovation and could ultimately lose the portion of the campus that secured the loan. By that time, efforts by the GWH Board Chair and the Interim President to either try to secure the State funding or replace it from other sources had also proved unsuccessful. The Board members we spoke to also understood clearly from the GWH Board Chair that he had been assured that the State funding would be safe if the Speaker was not the President. Consequently, the Board decided to offer the Speaker an opportunity to resign.

By the time the Board met on a conference call on June 24th, the Speaker's own efforts in to try to try to convince the Governor to withdraw his threat had also proved unsuccessful. The Board discussed its fiduciary duties and responsibilities to GWH and decided there was no choice but to terminate the Speaker's employment agreement.

Impacts to GWH of Events Transpiring Since June 5, 2015

Over the course of several interviews with GWH staff and board members, it became apparent that the organization has been impacted in several ways by the events stemming from the Governor's reaction to the hiring of the Speaker as GWH's next President.

The most obvious impact is that the school has been forced to redo the recruitment and selection process that spanned three months from the date of the position posting to the date the Speaker was selected as President. The search required the participation of multiple board members from both GWH and MeANS boards, GWH's Senior Leadership Team, and parents and students of MeANS. GWH reposted the President's position shortly after terminating its agreement with the Speaker. According to the GWH Board Chair, there were 50 applicants in this recruitment round and the selection process is still ongoing. Also, as required in the Speaker's employment agreement, GWH paid the Speaker his base salary and equivalent benefits during the 60 day notice period and the minimum one month salary continuation.

Other, less obvious impacts were also described:

- GWH's Vice President of Operations reported that since these events went public, some people have reached out to GWH and pulled their donations to school. When possible, he has tried to convince them to remain donors. The cost of these events in terms of lost donations may not be known for some time.
- GWH's Director of Finance reported that GWH has been receiving some negative correspondence. Receipt of negative correspondence has not been limited to just GWH, as the GWH Board Chair reported receiving numerous communications criticizing him for not taking a strong stand against the Governor.
- Disruptions to staff and staff time spent away from the office dealing with the fallout were also cited as impact to the school.
- Unbudgeted legal expenses have been incurred by the school, including expenses associated with OPEGA's review and the potential involvement of GWH in follow up investigations or hearings, as well as in the civil lawsuit the Speaker currently has pending against the Governor.

DOE has re-committed to State funding of \$530,000 annually for FY2016 and FY2017 and, as a result, the HAF has ceased its plan for an immediate independent financial assessment. However, there is a new written agreement between DOE and GWH regarding this funding. The new agreement maintains limitations on GWH's use of the funds, and requires GWH to meet certain reporting requirements. The new agreement also makes the receipt of FY2017 funds contingent on GWH submitting a plan for getting to a position where it no longer needs the State funding and states it is understood by the signing organizations that the State funding will not extend beyond the current biennial budget. OPEGA understands that GWH has begun the process for developing that plan.