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Executive Director

BY ELECTRONIC MAIL

October 17, 2024

Ms. Yanira Raíces Vega
Secretary
Department of Education

Re: LEAP Social Enterprise, Inc.

Dear Ms. Raíces Vega,

In accordance with the Contract Review Policy (the “Policy”) of the Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”), established pursuant to Section 204(b)(2) of PROMESA, we have reviewed the proposed amendment to the charter agreement between the Department of Education (the “PRDE”) and LEAP Social Enterprise, Inc. (the “Proposed Amendment”).

After reviewing the Proposed Amendment, the Oversight Board concludes “Approved with Observations.” Observations related to the Proposed Amendment are set forth in Appendix A attached hereto.

Our review is solely limited to compliance of the Proposed Amendment with Section 204(b)(2) of PROMESA, which seeks to ensure proposed contracts promote market competition and are not inconsistent with approved Fiscal Plans. For the avoidance of doubt, the review performed by the Oversight Board does not constitute a legal review of the contractual documentation or the contracting process, including without limitation: (i) compliance with contracting requirements under applicable laws, rules, and regulations, both federal and local; and (ii) compliance with applicable laws, rules, and regulations governing procurement activities, both federal and local.

In addition, the Oversight Board has not engaged in any due diligence or background check with respect to the contracting parties nor whether the contracting parties comply with the requirements under the applicable contract. Any material changes to the Proposed Amendment or the original contract must be submitted to the Oversight Board for review and approval **prior to execution**.

Date: 10/17/2024

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Recipient: Ms. Raíces Vega

This letter is delivered as of the date hereof and we reserve the right to provide additional observations and modify this letter based on information the Oversight Board was not directed to when the review was conducted. In addition, during the course of our review, we may receive information that we may refer to the relevant authorities.

This letter is issued only to the PRDE and solely with respect to the Proposed Amendment.

Sincerely,



Jaime A. El Koury
General Counsel

APPENDIX A

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DEPARTMENT OF EDUCATION – LEAP SOCIAL ENTERPRISE, INC.

Fiscal Plan Alignment

This review covers the Proposed Amendment to the charter agreement between the PRDE and LEAP Social Enterprise, Inc. (the “Contractor”).

The charter agreement (2025-000095) contemplates the establishment of the LEAP STEM + E Academy of San Juan as a public alliance school pursuant to Act 85-2018, known as the “Education Reform Act of Puerto Rico.” It has a term from August 28, 2024 to **June 30, 2026**.¹

The Proposed Amendment, which constitutes the first amendment to the charter agreement (2025-000095), establishes the maximum payable amount of **\$4,787,481.56** to cover the projected enrollment of 925 students during the 2024-2025 school year, without altering the term.

The PRDE has certified that the Proposed Amendment shall be covered with a mix of general funds and federal funds stemming from the Schoolwide Programs, which are allocated as follows:

- \$4,180,279 in federal funds for 777 students in **Account No. E1292-221-07845-081-2025-SCHOOLWIDE25A-07845-081 (SIFDE); E1292-221-0810000-081-2025-SCHOOLWIDE25 (PRIFAS)**; and
- \$607,202.56 in general funds for 148 students under the Special Education Program in **Account No. E6170-111-07845-1008-014-2025 (SIFDE), E6170-111-0810000-1008-014-2025 (PRIFAS)**.

As such, the Oversight Board’s review indicates that the PRDE has sufficient budgeted funds in Fiscal Year 2025 to cover the cost of the Proposed Amendment as of the date of this letter.

This determination does not consider the extent to which total available funds will be subsequently encumbered by the PRDE throughout the applicable term. Consequently, we rely on the PRDE’s budget certification for purposes of this review. In the event that the Proposed Amendment causes the PRDE to exceed its budget, it must find savings in other areas to cover any overspent amounts and submit a budget reprogramming request in order to ensure compliance with the Certified Fiscal Year 2025 Commonwealth Budget.

Insofar as the Proposed Amendment will be funded with future certified budgets, the PRDE must ensure that such budgets incorporate all costs related to the Proposed Amendment.

In addition, we note that the PRDE has certified that it has complied with Act 147 of 1980, as amended, known as the “Office of Management and Budget Enabling Act,” which limits agencies’ expenditures to 50% of their assigned budgets during election years, specifically within the period from July 1 until the inauguration of the elected officials.

¹ A previous charter agreement (2022-000001) for the same public alliance school was executed between the PRDE and the Contractor on July 8, 2021 and cancelled on September 17, 2024. The tenth amendment to the previous charter agreement, which was approved with observations by the Oversight Board on March 12, 2024, increased the maximum payable amount to **\$18,682,636.92**. The current charter agreement is essentially a continuation of the prior agreement.

APPENDIX A

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The PRDE is expected to inform the Oversight Board of any budgetary differences other than those specified in Appendix A to the Policy (Contract Submission Questionnaire) and to request a re-review of the Proposed Amendment should any changes occur.

This review was conducted on the basis of information submitted by the PRDE. The Oversight Board has not independently verified the information included in the submission. Should the Oversight Board become aware of any inaccuracies or misrepresentations – whether intentional or not – it would re-evaluate its assessment.