



# Financial Performance Framework

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## **“FIRST-TIME” FINANCIAL INTERVENTION PROCESS GUIDE**

Developed based on framework approved on December 10, 2018,  
administrative rules approved on July 8, 2019, August 9, 2021,  
November 22, 2021 and October 17, 2022, and policy  
and procedures adopted October 16, 2023

**Arizona State Board for Charter Schools**

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## Introduction

Arizona Revised Statutes (“A.R.S.”) requires the Arizona State Board for Charter Schools (“Board”), as a sponsoring entity of a charter school, to ground its actions in evidence of the charter holder’s performance in accordance with the Board’s performance framework and requires the Board’s performance framework to include the financial expectations of the charter school. In December 2018, the Board approved its Financial Performance Framework (“financial framework”) and adopted the administrative rules to implement the financial framework on July 8, 2019. On October 17, 2022, the Board adopted revisions to its financial framework administrative rules found in the Arizona Administrative Code (“A.A.C.”).

Under the financial framework, a charter holder is assigned one of three summative financial performance ratings – “Good Standing,” “Adequate Standing,” or “Intervention.”<sup>1</sup> The term “charter holder” refers to the entity that has entered into a charter contract with the Board to operate one or more charter schools.

For those charter holders that have been assigned an “Intervention” summative financial performance rating for the first time based on the most recent audit (“First-Time Intervention Rating”), this guide specifies the Board’s financial intervention process and is applicable beginning with charter holders’ fiscal year 2022 audits.

The intervention guide for charter holders identified as “On Probation” may be accessed through the [Board’s website](#).

## An Overview of the Intervention Process

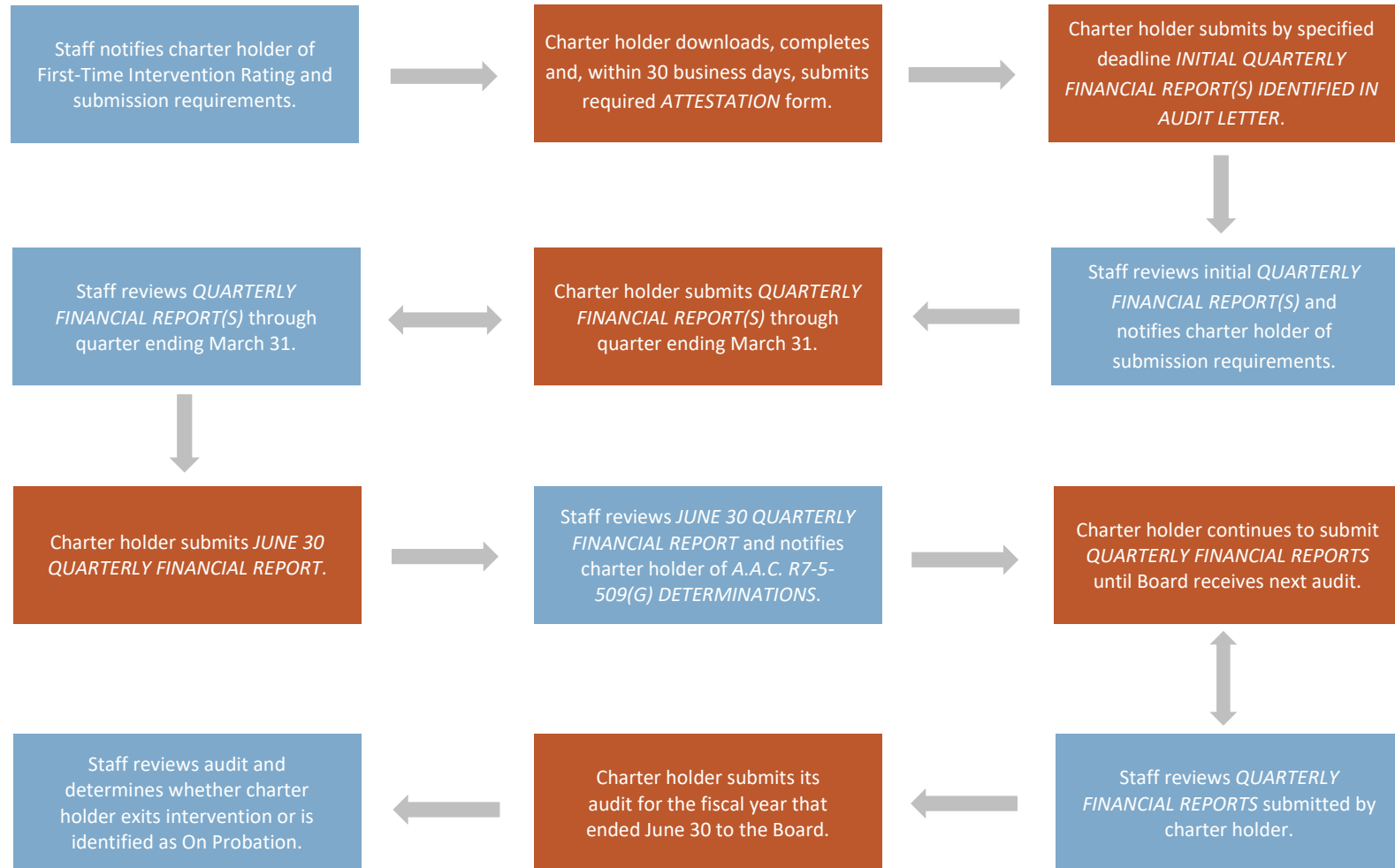
The financial intervention process provides an opportunity for charter holders that receive an “Intervention” summative financial performance rating to demonstrate improved financial performance and allows the Board to act if these charter holders do not demonstrate improved performance. Figure 1 on page 3 identifies key steps for the **charter holder** and **Board staff** in the intervention process for charter holders assigned a First-Time Intervention Rating. For italicized terms identified in all capital letters on Figure 1, this guide includes a section or subsection that provides additional information.

A charter holder’s performance as evaluated using the financial framework is represented in a dashboard. The Board has provided online public access to each charter holder’s financial performance dashboard.<sup>2</sup> For a charter holder that receives a First-Time Intervention Rating, the charter holder’s intervention process submissions, as well as Board communications, will be accessible from the charter holder’s financial dashboard.

<sup>1</sup> For additional information regarding the financial framework’s summative financial performance ratings and measures, review the *Measures and Summative Performance Ratings Guide* available on the [Board’s website](#) in the “Financial Performance Framework” section.

<sup>2</sup> A charter holder’s financial dashboard may be viewed by accessing <https://online.asbcs.az.gov/schools/performance>.

**Figure 1: “First-Time” Intervention Process Overview**



## “First-Time” Financial Intervention Submissions

Each charter holder that receives a First-Time Intervention Rating must submit to the Board the attestation required under A.A.C. R7-5-402(F), Quarterly Financial Reports and a June 30 Quarterly Financial Report. The charter holder will continue to submit Quarterly Financial Reports, including the June 30 Quarterly Financial Report, until the Board receives the charter holder’s next audit. All submissions must be emailed to [audits@asbcs.az.gov](mailto:audits@asbcs.az.gov). A First-Time Intervention Rating submission checklist is available on the [Board’s website](#).

### Attestation

A charter holder assigned a First-Time Intervention Rating must submit an attestation to the Board using the form available on the [Board’s website](#). Pursuant to A.A.C. R7-5-402(F), the charter holder will attest to the following:

1. The charter holder’s board or, if applicable, the charter school’s governing body has considered the written notice sent by the Board to the charter representative indicating the audit has been reviewed and notifying the charter holder of its intervention status for the audited fiscal year (“Audit Letter”), along with the Board’s probation risk levels and associated consequences identified in A.A.C. R7-5-402(H)-(K);
2. Management has identified and the charter holder’s board or, if applicable, the charter school’s governing body has considered the factors that caused or contributed to the charter holder’s financial performance in the audited fiscal year;
3. Management and the charter holder’s board or, if applicable, the charter school’s governing body have reviewed the charter holder’s current financial plan and approved any necessary changes; and
4. Management and the charter holder’s board or, if applicable, the charter school’s governing body shall at least quarterly review the charter holder’s current financial performance under the financial framework.

The charter holder’s deadline for submitting the attestation will be set 30 business days from the date of the Audit Letter. [A.A.C. R7-5-509(B)(2)]

### Initial Quarterly Financial Report(s) Identified in Audit Letter

The Audit Letter will identify the initial Quarterly Financial Report(s) that the charter holder must submit and identify the submission deadline, which will be set 30 calendar days from the date of the Audit Letter. [A.A.C. R7-5-509(B)(3)]

### QUARTERS ADDRESSED

The quarters that must be addressed will be determined based on the date of the Audit Letter. [A.A.C. R7-5-509(B)(3)]

Written Notice Date	Applicable Quarter(s)
Between October 1 and December 31	❖ Quarter ending September 30
Between January 1 and March 31	❖ Quarter ending September 30 ❖ Quarter ending December 31
Between April 1 and July 15	❖ Quarter ending September 30 ❖ Quarter ending December 31 ❖ Quarter ending March 31

After July 15

- ❖ Quarter ending September 30
- ❖ Quarter ending December 31
- ❖ Quarter ending March 31
- ❖ Quarter ending June 30

### **DEFAULT MEASURE CONSIDERATION**

For a charter holder that received a “Below Standard” rating on the Default measure, if the initial Quarterly Financial Report(s) submitted by the charter holder supports that the charter holder has cured the default, then the charter holder shall be removed from the intervention process if the Default measure was the only measure for which the charter holder received a “Below Standard” rating based on the most recent audit. [A.A.C. R7-5-509(C)]

### **BOARD COMMUNICATIONS**

Within 30 calendar days after receiving the initial Quarterly Financial Report(s) identified in the Audit Letter, Board staff will provide the charter holder with written notice that includes the following:

1. The Quarterly Financial Report requirements and submission deadlines;
2. Any differences identified between the calculations included by the charter holder in its Quarterly Financial Report(s) and those completed by Board staff; and
3. If applicable, the determination made in the [Default Measure Consideration](#) subsection. [A.A.C. R7-5-509(D)]

### **Quarterly Financial Reports (Except for June 30 Report)**

A charter holder that receives a First-Time Intervention Rating must submit Quarterly Financial Reports for the quarters ending September 30, December 31 and March 31. Subsequent to the [June 30 Quarterly Financial Report](#), the charter holder will continue to submit Quarterly Financial Reports until the Board receives the charter holder’s next audit.

Pursuant to A.A.C. R7-5-101, in each Quarterly Financial Report, the charter holder must include:

1. An unaudited balance sheet (statement of financial position) that identifies the charter holder’s results at the quarter end date and the charter holder’s unrestricted and restricted cash balances. Minimally, the charter holder’s restricted cash balance must include the charter holder’s unspent Classroom Site Fund monies from the current fiscal year and, if applicable, prior fiscal years;
2. An unaudited income statement (statement of activities) that identifies the charter holder’s results year-to-date through the quarter end date;
3. The charter holder’s revenue and expense budget that compares year-to-date actual results through the quarter end date to the charter holder’s annual budget and, for each line item, identifies the percentage of the annual budget represented by the actual results; and
4. Using the Board’s [Measure Calculator](#), the charter holder’s calculation of its performance on the Default, Unrestricted Days Liquidity, Adjusted Net Income and Average Daily Membership measures, including all figures used in the mathematical calculations.

For each Quarterly Financial Report submitted to the Board, the charter holder may provide separate documents to address bullet 2 and bullet 3 above or the charter holder may provide one document that encompasses the information requested under both bullets.

### **SUBMISSION DEADLINES**

The submission deadlines for Quarterly Financial Reports submitted subsequent to those identified in the Audit Letter are as follows [A.A.C. R7-5-509(E)]:

Quarter End Date	Quarterly Financial Report Deadline
September 30	October 30
December 31	January 30
March 31	April 30
June 30	August 15

### **BOARD COMMUNICATIONS**

For each Quarterly Financial Report submitted subsequent to those identified in the Audit Letter or subsequent to the June 30 Quarterly Financial Report, Board staff will determine the charter holder’s current performance and compare Board staff’s results with the charter holder’s calculation results.

Within 30 calendar days of each Quarterly Financial Report’s receipt, Board staff will notify the charter holder in writing of:

1. The submission deadline for the next Quarterly Financial Report; and
2. Any differences identified between the calculations completed by the charter holder and those completed by Board staff. [A.A.C. R7-5-509(F)]

### **June 30 Quarterly Financial Report**

A charter holder that receives a First-Time Intervention Rating must also submit a June 30 Quarterly Financial Report for the quarter ending June 30. The deadline for submitting the June 30 Quarterly Financial Report is August 15 [A.A.C. R7-5-509(E)(4)].

Pursuant to A.A.C. R7-5-101, in the June 30 Quarterly Financial Report, the charter holder must include:

1. An unaudited balance sheet (statement of financial position) that identifies the charter holder’s results at June 30 and the charter holder’s unrestricted and restricted cash balances. Minimally, the charter holder’s restricted cash balance must include the charter holder’s unspent Classroom Site Fund monies from the current fiscal year and, if applicable, prior fiscal years;
2. An unaudited income statement (statement of activities) that identifies the charter holder’s results for the year ended June 30;
3. The charter holder’s revenue and expense budget that compares year-to-date actual results for the year ended June 30 to the charter holder’s annual budget and, for each line item, identifies the percentage of the annual budget represented by the actual results;
4. Using the Board’s [Measure Calculator](#), the charter holder’s calculation of its performance on all six financial framework measures, including all figures used in the mathematical calculations;
5. If not specifically listed on the unaudited income statement (statement of activities), accounting system reports or lease and debt schedules identifying, as applicable, the facility lease expense and interest expense paid by the charter holder for the fiscal year and used in the charter holder’s Lease Adjusted Debt Service Coverage Ratio calculation; and
6. Accounting system reports or debt schedules identifying, as applicable, the bond, loan and capital lease principal paid by the charter holder for the fiscal year and used in the charter holder’s Lease Adjusted Debt Service Coverage Ratio calculation.

For the June 30 Quarterly Financial Report, the charter holder may provide separate documents to address bullet 2 and bullet 3 above or the charter holder may provide one document that encompasses the information requested under both bullets.

## BOARD COMMUNICATIONS

Within 45 calendar days after receiving the June 30 Quarterly Financial Report, Board staff will notify the charter holder in writing of:

1. The determinations made by Board staff under [A.A.C. R7-5-509\(G\)](#);
2. The submission deadline for the next Quarterly Financial Report; and
3. Any differences identified between the calculations completed by the charter holder and those completed by Board staff. [A.A.C. R7-5-509(H)]

## Measure Calculator

To assist charter holders in completing the calculations required for each Quarterly Financial Report, including the June 30 Quarterly Financial Report, the Board has developed a Measure Calculator. The Measure Calculator template is accessible on the [Board’s website](#) and must be used by charter holders that receive a First-Time Intervention Rating.

The initial Measure Calculator submitted by the charter holder will include the measure data for the quarter(s) identified in the Audit Letter. For subsequent Quarterly Financial Report submissions, including the June 30 Quarterly Financial Report, the charter holder will add the next quarter’s data to the Measure Calculator updated, as necessary, by Board staff to address calculation issues. Prior to each subsequent quarterly report submission, the charter holder must download and save the “Measure Calculator-Board Reviewed” available through the charter holder’s financial performance dashboard (see below) and then add the next quarter’s information. Eventually, the Measure Calculator will reflect the charter holder’s financial performance for all quarters.

<a href="#">Login/Register</a> <a href="#">Search</a> <a href="#">Help</a> <a href="#">Contact Us</a> <a href="#">File Complaint</a>	<a href="#">Go to ADE Website</a> <a href="#">Go to ASBCS Website</a>
<b>Intervention</b> The charter holder has one or more measures rated "Below Standard" and is required to submit information to the Board regarding its financial performance. For additional information, refer to the Financial Performance Framework.	
<b>Next Submission Due</b> 04/30/2021	
<b>Charter Holder Financial Intervention Submissions</b> <ul style="list-style-type: none"> <li>• <a href="#">Measure Calculator-Charter Holder (Download)</a></li> <li>• <a href="#">Quarterly Report - September 30 (Download)</a></li> <li>• <a href="#">Quarterly Report - December 31 (Download)</a></li> <li>• <a href="#">Measure Calculator-Board Reviewed (Download)</a> ←</li> </ul>	

The Measure Calculator template includes instructions and additional information. The completed Measure Calculator must be submitted to the Board as an Excel document.



## A.A.C. R7-5-509(G) Determinations

Using information from the June 30 Quarterly Financial Report and the Board’s audit and complaint processes, as well as any submissions required to be made by the charter holder pursuant to A.A.C. R7-5-501(C), Board staff will determine, for each charter holder that submitted a June 30 Quarterly Financial Report, whether:

1. The Going Concern measure received a “Below Standard” rating in the audited fiscal year.
2. The measure(s) rated “Below Standard” in the audited fiscal year will likely improve to at least an “Approaches Standard” or remain rated “Below Standard” when calculations are completed using the charter holder’s next audit.
3. One or more of the financial framework’s other measures will likely be rated “Below Standard” when calculations are completed using the charter holder’s next audit.
4. The charter holder was required to submit a corrective action plan based on the most recent audit for failure to pay taxes or contributions due to the Internal Revenue Service (“IRS”), Arizona Department of Revenue (“ADOR”), Arizona Department of Economic Security (“ADES”) or Arizona State Retirement System (“ASRS”), failure to have sufficient cash at June 30 to cover the charter holder’s unspent Classroom Site Fund balance, or failure to maintain worker’s compensation insurance or liability insurance.
5. In the audited fiscal year, subsequent fiscal year or both, the Board has substantiated any complaint involving late payroll checks to employees, health insurance or liability insurance cancellation due to nonpayment or failure to make required retirement plan contributions, or the Board has received notification from the ASRS of delinquent retirement contributions<sup>3</sup>.
6. In the audited fiscal year, subsequent fiscal year or both, the charter holder has been required to make at least one submission under A.A.C. R7-5-501(C).<sup>4</sup>
7. Within the most recent five-year period the charter holder has been assigned three summative financial performance ratings of “Intervention.”

## Student Count Visit

Time permitting, Board staff may visit schools operated by charter holders assigned a First-Time Intervention Rating to conduct a physical count of students and compare the information observed and obtained onsite with the number of students reported to the Arizona Department of Education (“Department”). [A.A.C. R7-5-402(N)]

<sup>3</sup> The ASRS notifies the Board of charter holders that are delinquent in remitting their retirement contributions. If, based on the ASRS delinquency reports provided to the Board, a charter holder is 10 or more days delinquent in remitting its contributions, then Board staff will mark the delinquency on the charter holder’s operational performance dashboard.

<sup>4</sup> Under A.A.C. R7-5-501(C), which applies to all charter holders and not just those that receive a First-Time Intervention Rating, a charter holder must report the following to the Board within 10 business days of receipt or occurrence: a) any notice from a lender or landlord regarding default; b) filing a petition for bankruptcy; c) any notice received from the IRS, ASRS, ADOR or ADES regarding a tax lien, levy or garnishment; d) correspondence from an insurance provider related to cancellation of health or liability insurance due to nonpayment; e) notice of termination of line of credit whether initiated by financial institution or charter holder when a replacement credit line is not in effect; or f) withdrawals from debt service reserve funds.

## First-Time Intervention and Operational Dashboard

If a charter holder fails to submit or fails to timely submit the attestation required under A.A.C. R7-5-402(F) or a complete Quarterly Financial Report or June 30 Quarterly Financial Report required under A.A.C. R7-5-509(A), the failure will be noted on the charter holder’s operational performance dashboard following the steps identified in A.A.C. R7-5-402(Q) or R7-5-509(K), as applicable. [A.A.C. R7-5-402(Q); A.A.C. R7-5-509(J)] Board staff will record the failure under “Timely Submissions” in Measure 2e.

## Next Audit Submission

If a charter holder assigned a First-Time Intervention Rating fails to timely submit its next audit, Board staff shall report the charter holder’s intervention status to the Board when the Board considers action under A.A.C. R7-5-504(E). [A.A.C. R7-5-402(R)]

## Defining Financial Performance Expectations

A.R.S. § 15-183 allows the Board to consider if the charter holder has failed to “Meet the financial performance expectations set forth in the performance framework or any improvements plans”<sup>5</sup> when the Board makes renewal and revocation decisions.

<b>Meets the Board’s Minimum Financial Performance Expectations</b>	A charter holder that receives a summative financial performance rating of “Good Standing” or “Adequate Standing.” [A.A.C. R7-5-402(E)]
<b>Does Not Meet the Board’s Minimum Financial Performance Expectations</b>	A charter holder assigned an “Intervention” summative financial performance rating for two or more consecutive years and placed “On Probation” pursuant to A.A.C. R7-5-402(G).

## Determining Probation Risk Level for Each “On Probation” Charter Holder

Figure 2 on page 10 includes an “On Probation” process flowchart. In the figure, “CH” stands for charter holder.

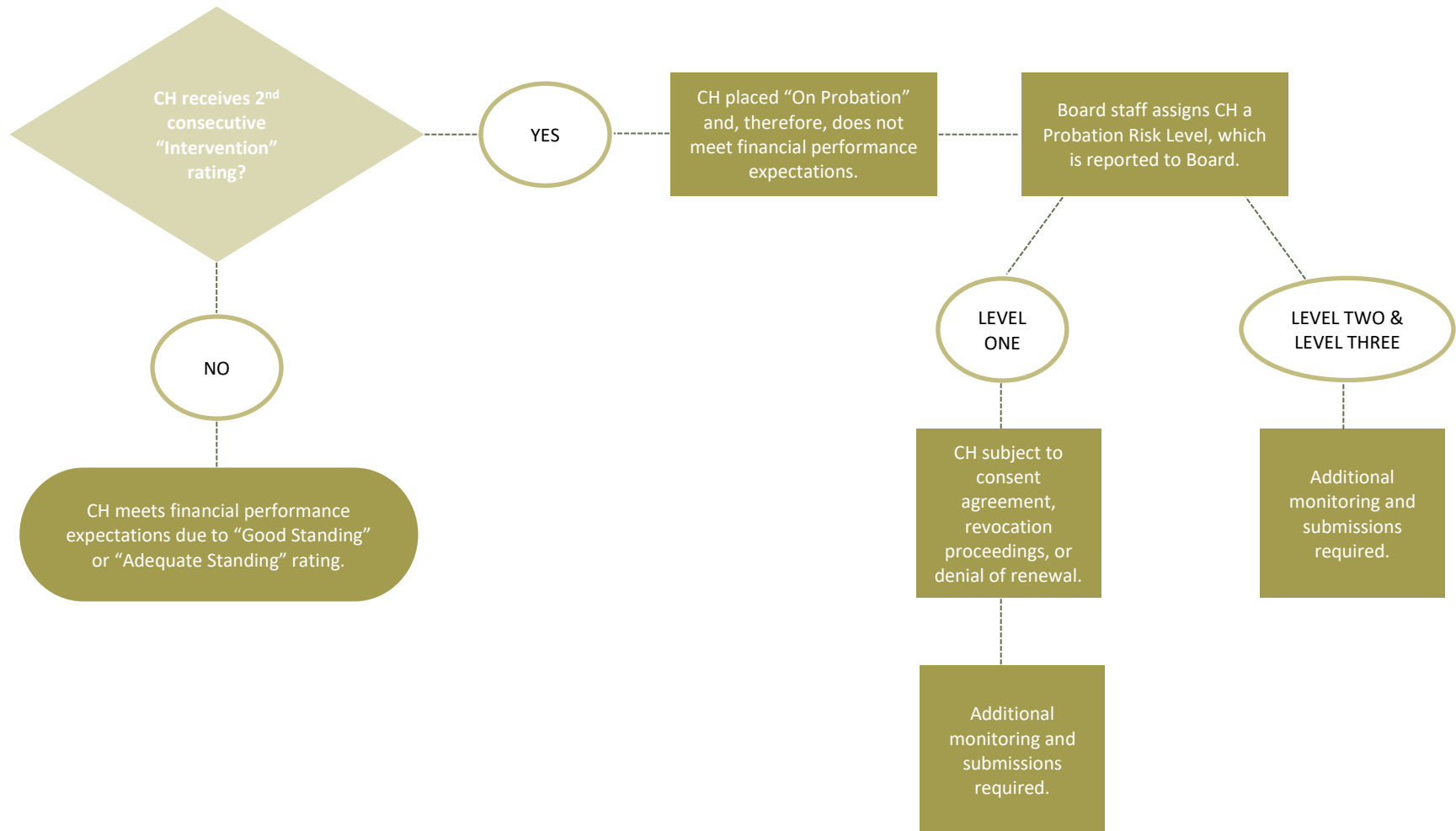
For each charter holder identified as “On Probation,” Board staff shall:

1. Determine the charter holder’s [ADM Category](#) using publicly available ADM calculations completed by the Department.
2. Determine the charter holder’s [Default Measure Category](#).
3. Assign the charter holder a [Probation Risk Level](#) using the charter holder’s results based on the two most recent audits and the criteria found in Table 1 on page 12. [A.A.C. R7-5-402(H)]

Table 2 on page 13 identifies the consequences associated with each of the three Probation Risk Levels. [A.A.C. R7-5-402(I)-(K)] A charter holder assigned to Probation Risk Level One is subject to a consent agreement, revocation proceedings or denial of renewal.

<sup>5</sup> The term “improvement plans” is defined in A.A.C. R7-5-402(O).

Figure 2: “On Probation” Process Flowchart



**ADM CATEGORY**

The criteria used in determining the charter holder’s ADM Category are identified below.

SMALL AND MEDIUM CHARTER HOLDERS (LESS THAN 600 ADM)			
ADM CATEGORY	ESTIMATED ADM MEASURE PERFORMANCE <sup>1</sup>		PERCENT LOSS OF TOTAL ADM <sup>2</sup>
LOW RISK	GREATER THAN 0 TO NEGATIVE 4.99%	OR	0 TO 9.99% DECLINE
MODERATE RISK	NEGATIVE 5% TO NEGATIVE 14.99%	OR	10% TO 19.99% DECLINE
HIGH RISK	NEGATIVE 15% OR MORE	OR	20% OR MORE DECLINE
LARGE CHARTER HOLDERS (600 OR MORE ADM)			
ADM CATEGORY	ESTIMATED ADM MEASURE PERFORMANCE <sup>1</sup>		PERCENT LOSS OF TOTAL ADM <sup>2</sup>
LOW RISK	GREATER THAN 0 TO NEGATIVE 2.99%	OR	0 TO 7.99% DECLINE
MODERATE RISK	NEGATIVE 3% TO NEGATIVE 9.99%	OR	8% TO 14.99% DECLINE
HIGH RISK	NEGATIVE 10% OR MORE	OR	15% OR MORE DECLINE

<sup>1</sup> The “Estimated ADM Measure Performance” considers the charter holder’s estimated performance on the Average Daily Membership measure for the fiscal year that begins on the July 1 following the fiscal year end of the most recent audit.

<sup>2</sup> The “Percent Loss of Total ADM” considers the percent change in the charter holder’s ADM from the fiscal year prior to the most recent audit (year 3) to the fiscal year that begins on the July 1 following the fiscal year end of the most recent audit (year 1). For example, this means for a charter holder identified as “On Probation” following the review of the fiscal year 2021 audit year 3 would be fiscal year 2020 and year 1 would be fiscal year 2022.

**DEFAULT MEASURE CATEGORY**

The criteria used in determining the charter holder’s Default Measure Category are identified below.

CATEGORY	CRITERIA
LOW RISK	“MEETS” RATING ON DEFAULT MEASURE FOR TWO CONSECUTIVE FISCAL YEARS.
MODERATE RISK	“BELOW” RATING ON DEFAULT MEASURE IN PRIOR AUDITED FISCAL YEAR.  <u>OR</u> “BELOW” RATING ON DEFAULT MEASURE IN MOST RECENT AUDITED FISCAL YEAR DUE TO CHARTER HOLDER’S FAILURE TO COMPLY WITH NON-PAYMENT RELATED REQUIREMENTS.
HIGH RISK	“BELOW” RATING ON DEFAULT MEASURE IN MOST RECENT AUDITED FISCAL YEAR DUE TO CHARTER HOLDER’S FAILURE TO MAKE REQUIRED PAYMENTS.

**Table 1: Probation Risk Levels**

<b>LEVEL ONE (HIGHEST RISK)</b>					
<b>SCENARIO 1</b>	<b>SCENARIO 2</b>	<b>SCENARIO 3</b>	<b>SCENARIO 4</b>	<b>SCENARIO 5</b>	<b>SCENARIO 6</b>
<ul style="list-style-type: none"> <li>▪ “BELOW” RATING ON THE GOING CONCERN MEASURE FOR TWO CONSECUTIVE FISCAL YEARS; AND</li> <li>▪ “HIGH RISK” ADM CATEGORY.</li> </ul>	<ul style="list-style-type: none"> <li>▪ “BELOW” RATING ON THE GOING CONCERN MEASURE FOR TWO CONSECUTIVE FISCAL YEARS; AND</li> <li>▪ NUMERIC PERFORMANCE POSITIVELY INCREASED ON LESS THAN THREE CALCULATED MEASURES<sup>1</sup>; AND</li> <li>▪ ANY RISK ADM CATEGORY.</li> </ul>	<ul style="list-style-type: none"> <li>▪ “BELOW” RATING ON THE GOING CONCERN MEASURE IN THE PRIOR AUDITED FISCAL YEAR; AND</li> <li>▪ NUMERIC PERFORMANCE POSITIVELY INCREASED ON ONE OR FEWER CALCULATED MEASURES<sup>1</sup>; AND</li> <li>▪ “HIGH RISK” ADM CATEGORY.</li> </ul>	<ul style="list-style-type: none"> <li>▪ FOR TWO CONSECUTIVE FISCAL YEARS, ALL THREE CALCULATED MEASURES<sup>1</sup> RECEIVED “BELOW” OR “APPROACHES” RATINGS (REGARDLESS OF IF NUMERIC PERFORMANCE POSITIVELY INCREASED FOR ONE OR MORE CALCULATED MEASURES).</li> </ul>	<ul style="list-style-type: none"> <li>▪ “HIGH RISK” DEFAULT MEASURE CATEGORY.</li> </ul>	<ul style="list-style-type: none"> <li>▪ TWO CONSECUTIVE PROBATION RISK LEVEL TWO DETERMINATIONS; OR</li> <li>▪ TWO CONSECUTIVE PROBATION RISK LEVEL THREE DETERMINATIONS; OR</li> <li>▪ ONE PROBATION RISK LEVEL TWO DETERMINATION AND ONE PROBATION RISK LEVEL THREE DETERMINATION IN TWO CONSECUTIVE CYCLES.</li> </ul>

<b>LEVEL TWO (MODERATE RISK)</b>			
<b>SCENARIO 1</b>	<b>SCENARIO 2</b>	<b>SCENARIO 3</b>	<b>SCENARIO 4</b>
<ul style="list-style-type: none"> <li>▪ “BELOW” RATING ON THE GOING CONCERN MEASURE FOR TWO CONSECUTIVE FISCAL YEARS; AND</li> <li>▪ NUMERIC PERFORMANCE POSITIVELY INCREASED ON ALL THREE CALCULATED MEASURES<sup>1</sup>; AND</li> <li>▪ “LOW RISK” OR “MODERATE RISK” ADM CATEGORY.</li> </ul>	<ul style="list-style-type: none"> <li>▪ “BELOW” RATING ON THE GOING CONCERN MEASURE IN THE PRIOR AUDITED FISCAL YEAR; AND</li> <li>▪ NUMERIC PERFORMANCE POSITIVELY INCREASED ON TWO OR MORE CALCULATED MEASURES<sup>1</sup>; AND</li> <li>▪ ANY RISK ADM CATEGORY.</li> </ul>	<ul style="list-style-type: none"> <li>▪ “BELOW” RATING ON THE GOING CONCERN MEASURE IN THE MOST RECENT AUDITED FISCAL YEAR.</li> </ul>	<ul style="list-style-type: none"> <li>▪ “MEETS” RATING ON THE GOING CONCERN MEASURE FOR TWO CONSECUTIVE FISCAL YEARS; AND</li> <li>▪ NUMERIC PERFORMANCE POSITIVELY INCREASED ON ONE OR FEWER CALCULATED MEASURES<sup>1</sup>; AND</li> <li>▪ “HIGH RISK” ADM CATEGORY.</li> </ul>

<b>LEVEL THREE (LOWEST RISK)</b>		
<b>Scenario 1</b>	<b>Scenario 2</b>	<b>Scenario 3</b>
<ul style="list-style-type: none"> <li>▪ “MEETS” RATING ON THE GOING CONCERN MEASURE FOR TWO CONSECUTIVE FISCAL YEARS; AND</li> <li>▪ NUMERIC PERFORMANCE POSITIVELY INCREASED ON ONE OR FEWER CALCULATED MEASURES<sup>1</sup>; AND</li> <li>▪ “LOW RISK” OR “MODERATE RISK” ADM CATEGORY.</li> </ul>	<ul style="list-style-type: none"> <li>▪ “MEETS” RATING ON THE GOING CONCERN MEASURE FOR TWO CONSECUTIVE FISCAL YEARS; AND</li> <li>▪ NUMERIC PERFORMANCE POSITIVELY INCREASED ON TWO CALCULATED MEASURES<sup>1</sup>; AND</li> <li>▪ ANY RISK ADM CATEGORY.</li> </ul>	<ul style="list-style-type: none"> <li>▪ “MEETS” RATING ON THE GOING CONCERN MEASURE FOR TWO CONSECUTIVE FISCAL YEARS; AND</li> <li>▪ NUMERIC PERFORMANCE POSITIVELY INCREASED ON ALL THREE CALCULATED MEASURES<sup>1</sup>; AND</li> <li>▪ ANY RISK ADM CATEGORY.</li> </ul>

<sup>1</sup> “Calculated measures” include the unrestricted days liquidity measure, adjusted net income measure and lease adjusted debt service coverage ratio measure. If a charter holder’s performance on a calculated measure has decreased year over year, but continues to be rated “meets standard,” this will not be considered declining performance. The charter holder’s numeric performance will be considered to have “positively increased.”

**Table 2: Consequences and Submissions Associated with Probation Risk Levels**

LEVEL ONE (HIGHEST RISK)	LEVEL TWO (MODERATE RISK)	LEVEL THREE (LOWEST RISK)
1. CONSENT AGREEMENT WITH BOARD OR CHARTER REVOCATION PROCEEDINGS OR DENIAL OF RENEWAL 2. ATTESTATION COMPLETED USING THE FORM AVAILABLE ON THE <a href="#">BOARD’S WEBSITE</a> 3. QUARTERLY FINANCIAL REPORTS, INCLUDING THE JUNE 30 QUARTERLY FINANCIAL REPORT, REQUIRED UNDER A.A.C. R7-5-511(A) [A.A.C. R7-5-402(I)]	1. ATTESTATION COMPLETED USING THE FORM AVAILABLE ON THE <a href="#">BOARD’S WEBSITE</a> 2. QUARTERLY FINANCIAL REPORTS, INCLUDING THE JUNE 30 QUARTERLY FINANCIAL REPORT, REQUIRED UNDER A.A.C. R7-5-511(A) [A.A.C. R7-5-402(J)]	1. ATTESTATION COMPLETED USING THE FORM AVAILABLE ON THE <a href="#">BOARD’S WEBSITE</a> 2. QUARTERLY FINANCIAL REPORTS, INCLUDING THE JUNE 30 QUARTERLY FINANCIAL REPORT, REQUIRED UNDER A.A.C. R7-5-511(A) [A.A.C. R7-5-402(K)]

***REPORT TO BOARD AT PUBLIC MEETING***

Pursuant to A.A.C. R7-5-402(M), Board staff will report to the Board at a public meeting: 1) the Probation Risk Level for each charter holder identified as “On Probation” and, therefore, under A.A.C. R7-5-402(G) does not meet the Board’s minimum financial performance expectations; and 2) the detail underlying the Probation Risk Level determination for each charter holder assigned to Probation Risk Level One.

**Appendix****A. Policy and Procedures for Revising the Board’s Performance Frameworks**

## A. Policy and Procedures for Revising the Board’s Performance Frameworks

In October 2023, the Board established the following policy and procedures for revising its Academic Performance Framework, Financial Performance Framework and Operational Performance Framework (collectively referred to as “Performance Frameworks” or individually as the “Academic Framework,” “Financial Framework” and “Operational Framework”).

1. Beginning with the conclusion of the fiscal year 2024 cycle<sup>6</sup>, Board staff shall at least annually review the Performance Frameworks. The annual review shall include the analysis identified in Step 1a and will consider, as applicable, the data and information identified in Steps 1b through 1l.
  - a. The portfolio’s overall performance under the Performance Frameworks, to include overall performance by measure and trends. A review of trends will include, but not be limited to considering the most recent and two prior years, reviewing to determine percentages of charters that met and did not meet the Board’s standards and expectations.
  - b. Issues or items identified through the analysis completed under Step 1a of the Performance Frameworks’ data, including any risks or pressure points.
  - c. Lessons learned by Board staff during the most recent year implementing the Performance Frameworks.
  - d. Performance of schools that closed during the fiscal year under review to identify any possible issues or risks with the current Performance Frameworks.
  - e. Board member feedback received on the Performance Frameworks.
  - f. Stakeholder feedback received on the Performance Frameworks.
  - g. Actions taken by other agencies (e.g., Arizona Department of Education, State Board of Education) that may affect the Performance Frameworks.
  - h. Statutory or regulatory changes that may affect the Performance Frameworks.
  - i. Data maintained by other agencies (e.g., academic performance data, average daily membership).
  - j. Results of reviews or audits of the Board conducted by outside organizations, including national, state or local entities.
  - k. Best practices for charter school authorizing.
  - l. Any other relevant information.
2. The review under Step 1 will take place for each individual framework no more than six months after the charter holder/school performance dashboards are finalized for a given fiscal year under a framework.
3. Upon completing the review required under Step 1, Board staff will select the applicable option below based on the review results.
  - a. Recommend to the Board that no changes be made to the Performance Frameworks.

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<sup>6</sup> The fiscal year 2024 cycle would include charter holders’ fiscal year 2024 performance results under the Academic Framework and Operational Framework and charter holders’ fiscal year 2023 performance results under the Financial Framework determined using the audits and average daily membership received by the Board in fiscal year 2024.

- b. Recommend to the Board that no changes be made to the Performance Frameworks at this time, but that additional data be collected.
  - c. Release for public comment proposed changes to the Performance Frameworks. Public comment opportunities and Board consideration will occur in accordance with the Board’s [“Procedures for Rule and Policy Adoption”](#).
  - d. Request the Board establish a subcommittee to consider whether changes should be made to the Performance Frameworks and to make a recommendation to the full Board. Generally, the subcommittee option would apply when at least one of the following is true:
    - i. Board staff proposes significantly changing the Performance Frameworks’ measures or overall ratings in a way that is not generally accepted as an improvement/positive change by stakeholders.
    - ii. Board staff proposes adding new or significantly changing existing processes under the Performance Frameworks in a way that is not generally accepted as an improvement/positive change by stakeholders.
    - iii. Board staff proposes adding new or significantly changing existing processes such that a final decision on how to proceed would benefit from stakeholder discussions when a clear path for addressing a concern is not evident or when multiple valid options exist.
4. The annual review of the Academic Framework, Financial Framework and Operational Framework required under Step 1 may occur separately or simultaneously.
5. Board staff shall annually report the review results and next steps for the Academic Framework, Financial Framework and Operational Framework at a regularly scheduled public Board meeting as described below.
- a. Board staff may choose to report out all three frameworks’ results at the same Board meeting or report out individual framework’s results at separate Board meetings, so long as all three reports occur within the timeframes and under the conditions identified in Step 5b through Step 5d.
  - b. If Board staff’s review results in proposed changes under Step 3c, then Board staff shall provide the report to the Board prior to releasing the proposed changes for public comment.
  - c. If Board staff’s review results in a subcommittee being requested under Step 3d, then Board staff shall provide the report to the Board at the same meeting at which the Board considers Board staff’s request to establish a subcommittee.
  - d. The review results for the Academic Framework, Financial Framework and Operational Framework must be reported to the Board no later than the November Board meeting unless circumstances outside of Board staff’s control make that not possible (e.g., release of letter grades delayed, federal government extends deadline for submitting single audits). In situations where circumstances outside of Board staff’s control occur, then the report to the Board must occur no later than 2 months after the situation is resolved (e.g., letter grades are released, deadline extension passes) or the next regularly scheduled Board meeting after that date.



6. Board members or, if applicable, subcommittee members may direct Board staff on additional data and information that should be collected and analyzed.
7. Documentation demonstrating compliance with the policy and procedures, such as presentations given at or materials prepared for Board meetings, shall be maintained by Board staff.
8. The policy and procedures do not prevent the Board from responding quickly to address concerns with its Performance Frameworks as they are raised or making changes to its Performance Framework at other times, provided that the review required under Step 1 occurs annually within the timeframes specified in Step 5 and the actions taken outside of the annual review adhere to the Board’s [“Procedures for Rule and Policy Adoption”](#).