
AGENDA ITEM: Financial Performance Framework**Background – Financial Performance Standard**

For the first renewal cohort, all charter holders were required to submit a standard detailed business plan with their application packages.¹ As staff began reviewing the first application packages and even before the [Strategic Plan's](#) adoption, staff was looking at ways to recognize quality performance and streamline processes for quality charters. As a result, a revised renewal application was approved and implemented with the second cohort. The current renewal financial performance standard has resulted in a diverse group of charter holders with various levels of financial performance being required to submit the application's financial sustainability section.

Financial Performance Framework Development

In late summer/early fall of 2011, staff formed a [work group](#) to help determine if the financial performance standard currently used during the renewal process could be improved to provide a more comprehensive and meaningful evaluation of a charter holder's financial performance. The work group met in late September 2011 and again in early January 2012. Subsequent to the work group's first meeting, the Board received a grant from the National Association of Charter School Authorizers (NACSA), which provided resources to assist the Board in developing a performance framework that addresses charter holders' academic, operational and financial performance. Between September 2011 and April 2012, staff received input from the charter community as to what they think is important to consider for a financial framework and NACSA provided what it perceives to be "national standards".

The Board's Financial Subcommittee held public meetings on [May 10, 2012](#) and [July 19, 2012](#). During these meetings, the Subcommittee:

- Adopted seven measures for inclusion in the Board's [Financial Performance Framework](#).
- Adopted "Meets Standard", "Does Not Meet Standard" and "Falls Far Below Standard" thresholds for each measure.
- Reviewed testing results showing 29 charter holders' performance under the financial framework. The sample included the 18 charter holders that will be notified of their eligibility to apply for renewal between October 2012 and December 31, 2012.
- Determined that charter holders receiving on or more "Falls Far Below Standard" and/or two or more "Does Not Meet Standard" will be required to submit additional information to the Board as part of the renewal and five-year interval review processes and for certain expansion requests.
- Determined that a charter holder's financial performance will be evaluated when considering expansion requests to add a new school site, replicate, add an Arizona Online Instruction program or school, or transfer charter sponsorship from another sponsor to the Board.
- Determined submission requirements for charter holders required to submit additional information.

The Board's [Financial Performance Framework and Guidance document](#) incorporates the Subcommittee's decisions and is intended to assist charter holders and the public in understanding the financial framework and how charter holders' financial performance will be used by the Board.

Board Options

Option 1: I move to approve the Financial Performance Framework and the Financial Performance Framework and Guidance documents as presented.

Option 2: I move to approve the Financial Performance Framework and the Financial Performance Framework and Guidance documents as presented with the modifications discussed (may require specific reference depending upon whether clarification of discussion is needed).

¹ A.R.S. §15-183(l)(1) requires that the renewal application include a detailed business plan.