



Transparency Recommendations

FINANCIAL FRAMEWORK SUBCOMMITTEE MEETING

OCTOBER 23, 2018

Educational Service Provider Registry

- An ESP is defined as any number of organizations that contract with or have a governance relationship with the entity to provide comprehensive services
- Major types of ESPs are education management organization (EMO) and charter management organization (CMO)
 - A CMO has a governance relationship with the charter holder in which the charter holder is a subsidiary of the ESP, the charter holder board has members that are members or employees of the ESP, and/or the ESP has ultimate executive authority over the charter holder, including the power to appoint board members and/or close a school operated by the charter holder.
 - An EMO contractually provides operations and management to the charter holder, but the charter holder chooses the affiliation and is independent of the ESP.



Educational Service Provider Registry

- Amend Board rules to require charters to declare if they have an agreement/contract with an ESP
- Registry information:
 - Name of the ESP and an ESP contact person
 - Type or form of entity of ESP
 - List of all ESP owners, directors and officers
 - A written statement describing the services provided to the charter schools
- Failure to comply noted on operational dashboard



Annual Board Training

- Charter principals are defined as the officers, directors, members, partners or board of the charter holder
- Amend Board rules to require the charter principals of a charter contract to annually attend board training
- Failure to comply noted on operational dashboard



Board Membership

- Amend the law to require charters to have a minimum 5-member board structure with a non-majority of family-related members
- Staff will bring recommendations regarding the amendment for adding board members to the full Board no later than May 2019



Website Link to Performance Dashboards

- Amend Board rules to require charters to prominently and permanently include a link on their websites to their performance dashboards on the Board's website
 - Applicable to all three dashboards (academic, financial and operational)
- Failure to comply noted on operational dashboard



Mandatory Notifications

- ❖ Amend Board rules to require charters to report the items identified on this slide to the Board within 10 business days
- ❖ Failure to comply noted on operational dashboard

- ❖ Charters must report:
 - Any notice from a lender or landlord regarding default
 - Notice of legal filings associated with bankruptcy or with unpaid vendor or service provider payables
 - Correspondence from a) IRS, ASRS, ADOR, or ADES related to nonpayment of payroll taxes or retirement contributions, or b) insurance provider related to cancellation of health or liability insurance
 - Notice of termination of line of credit
 - Execution of any agreement that provides for advances on state aid payments
 - Withdrawals from debt service reserve funds



Compliance Questionnaire

- Stakeholder meetings to discuss adding questions to the Legal Compliance Questionnaire addressing areas such as specific internal controls
- Any changes would be effective for FY19 audits
- Staff will bring recommendation to full Board for consideration no later than May 2019



Financial Eligibility for Expansion

- “Good Standing” and “Adequate Standing” rated charters are ELIGIBLE to submit expansion requests
- “Intervention” rated charters are NOT ELIGIBLE to submit expansion requests



Framework's Use of Other Information

- Board staff will work with stakeholders to determine if other information required to be submitted to State by charters (e.g., school level reporting) could be used to finetune Board's intervention efforts
- Staff will bring recommendation to full Board for consideration no later than May 2019



Communications with Other Agencies

- Board staff will work with the Arizona Department of Education (ADE) and the Office of the Auditor General to resolve technical matters related to the financial forms (e.g., Annual Financial Report) submitted to ADE
- Status report to full Board no later than May 2019



Staffing Resources

- The Board's FY 2020 budget request includes:
 - 4 additional FTE to support implementation of the financial framework and interventions based on the annual audits
 - 4 additional Education Program Managers to support implementation of the academic and operational frameworks
- Without the 4 additional FTE, the Board will be unable to fully implement its new financial framework in FY 2020

