



# Transparency Recommendations

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FINANCIAL FRAMEWORK SUBCOMMITTEE MEETING

NOVEMBER 27, 2018

# Public Comment

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- Meetings held with stakeholders
- Association presented at last Board meeting
- 2 written responses received
  - Responses have been included with meeting materials



# Educational Service Provider

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- 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

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- Amend Board rules to require charters to declare if they have an agreement/contract with an ESP
- Registry information:
  - Name of the ESP
  - A written statement describing the services provided to the charter schools
- Failure to comply noted on operational dashboard; FY 2020 will be a pilot year



# Website Link to Performance Dashboards

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- Amend Board rules to require charters to require charters to conspicuously post 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; FY 2020 will be a pilot year



# Mandatory Notifications

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- ❖ 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; FY 2020 will be a pilot year

## ❖ Charters must report:

- Any notice from a lender/landlord regarding default
- Notice of legal filings associated with bankruptcy or with unpaid vendor or service provider payables
- Any notice from the IRS, ASRS, ADOR, or ADES regarding a tax lien, levy or garnishment
- Correspondence from insurance provider related to cancelation of health or liability insurance due to nonpayment
- Notice of termination of line of credit whether initiated by financial institution or charter holder when replacement credit line is not in effect
- Execution of any agreement that provides for advances on state aid payments
- Withdrawals from debt service reserve funds



# Best Practices

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- Board member participation in training related to responsibilities (e.g., Open Meeting Law, accountability) at least once every 2-3 years
- Corporate board adherence to IRS requirements for 501(c)(3) tax-exempt organizations
- More than 3-member governing bodies



# Transition of Charter Contract

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- Charter school movement approaching 25-year milestone
- Generational Shift – Charter holders operating schools at beginning of the charter law (1994) have already retired or are about to retire from their schools
- Staff will bring recommendations to the full Board no later than May 2019 regarding the Board's role in this transition to ensure fidelity to the contract





# Compliance Questionnaire

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- Stakeholder meetings to discuss adding questions to the Legal Compliance Questionnaire addressing areas such as specific internal controls
- Any changes would be effective for FY 2020 audits



# Framework's Use of Other Information

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- 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



# Communications with Other Agencies

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- 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



# Financial Eligibility for Expansion

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



# Staffing Resources

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- 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

