




# Core Performance Framework and Guidance



Academic, Financial, and Organizational  
Frameworks for Charter School Accountability

March 2013



nacsa  
NATIONAL ASSOCIATION OF  
CHARTER SCHOOL AUTHORIZERS



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## About NACSA

The National Association of Charter School Authorizers (NACSA) is the trusted resource and innovative leader working with public officials and education leaders to increase the number of high-quality charter schools in cities and states across the nation. NACSA provides training, consulting, and policy guidance to authorizers and education leaders interested in increasing the number of high-quality schools and improving student outcomes.

## About the Performance Framework and Pilot Project

The National Association of Charter School Authorizers' (NACSA's) *Core Performance Framework and Guidance* was created as part of the Performance Management, Replication, and Closure (PMRC) project. NACSA researched best practices in Performance Frameworks among seven model authorizers and used the findings along with research from other education institutions, charter school funding organizations, and analysis of common state laws to develop the first draft of the NACSA *Core Performance Framework*.

The Framework was then tested by applying and adapting it to four PMRC demonstration site authorizers, as well as six other pilot sites that were funded through The Fund for Authorizing Excellence. The 10 authorizers in the pilot range from small to large authorizers and are of every organizational type (district, state education agency, nonprofit organization, and higher education institution). NACSA's experience with these 10 sites led to revisions to the NACSA *Core Performance Framework*, as well as the development of this comprehensive guidance document. NACSA is pleased to share this first edition of the *Core Performance Framework and Guidance* and plans to provide additional information and resources on charter school accountability through the Knowledge Core.

NACSA would like to thank the PMRC model authorizers, PMRC demonstration site authorizers, and Fund for Authorizing Excellence pilot sites for their contributions to this project.

### PMRC Model Authorizers:

- Central Michigan University's The Governor John Engler Center for Charter Schools
- Chicago Public Schools
- Denver Public Schools
- District of Columbia Public Charter School Board
- Indianapolis Mayor's Office
- State University of New York Charter Schools Institute
- Volunteers of America Minnesota

### PMRC Demonstration Site Authorizers:

- Atlanta Public Schools
- Ball State University
- Metropolitan Nashville Public Schools
- New Jersey Department of Education

### Fund for Authorizing Excellence Pilot Sites:

- Arizona State Board for Charter Schools
- Colorado Charter School Institute
- Delaware Department of Education
- Friends of Education
- Nevada Public Charter School Authority
- New Mexico Public Education Department

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# Core Performance Framework and Guidance Introduction

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# Introduction

## Overview

Charter school authorizers are responsible for maintaining high standards for school performance, upholding school autonomy, and protecting student and public interests. Using a performance contract as both a guide and a tool, a quality authorizer maintains high standards and manages charter school performance—not by dictating inputs or controlling processes—but by setting expectations and holding schools accountable for results. A quality authorizer engages in responsible and effective performance management by ensuring that schools have the autonomy to which they are entitled and the public accountability for which they are responsible.

Charter school authorizing begins with a bargain for performance. Authorizers agree to entrust a charter school's governing board with public dollars and public school students and to give it broad autonomy over how it achieves agreed-upon goals. In return, the school's board commits to achieving specified results, managing public funds responsibly, complying with its legal obligations, and providing a quality education to the students in its care.

In order for this bargain of autonomy in exchange for accountability to work, it is essential that authorizers establish, maintain, and enforce high performance standards for all schools in their portfolios. This includes not only holding schools accountable for the academic performance of all of their students, which should always be the primary measure of quality, but also holding schools accountable for financial and organizational performance.<sup>1</sup> The critical first step in effective performance management is to set and communicate clear and rigorous expectations for performance. Schools need clearly defined standards so that they know what is expected of them, and authorizers need them to manage performance effectively by holding schools accountable for outcomes without attempting to control inputs.

The National Association of Charter School Authorizers' (NACSA's) *Principles & Standards for Quality Charter School Authorizing* (2012) emphasizes that a quality authorizer establishes standards for school performance that are clear, quantifiable, rigorous, and attainable. NACSA also recommends that authorizers develop and formally adopt a Performance Framework that includes academic, financial, and organizational performance measures for use by schools and authorizers to establish expectations, guide practice, assess progress, and inform decision making over the course of the charter term and at renewal or revocation. In addition, many states have enacted policies that mandate that authorizers develop and use Performance Frameworks, and additional states are considering similar policies.

The three areas of performance covered by the frameworks—academic, financial, and organizational—correspond directly with the three components of a strong charter school application, the three key areas of responsibility outlined in strong state charter laws and strong charter school contracts, and are the three areas on which a charter school's performance should be evaluated.

In each of these three areas, the frameworks ask a fundamental question.

**Academic Performance:** Is the educational program a success?

**Financial Performance:** Is the school financially viable?

**Organizational Performance:** Is the organization effective and well run?

The answers to each of these three questions are essential to a comprehensive evaluation of charter school performance.

<sup>1</sup> In order to comply with the federal government's Charter Schools Program (CSP) assurances, State Education Agencies (SEAs) must ensure that they have state law, regulations, or other policies that direct authorized public charter agencies to use increases in student academic achievement for all groups of students described in section 1111(b)(2)(C)(v) of the Elementary and Secondary Education Act (ESEA) as the most important factor when determining to renew or revoke a school's charter. Non-SEA authorizers should work with their SEAs to ensure that the SEA complies with this and other CSP assurances. The CSP assurances can be accessed at <https://www2.ed.gov/programs/charter/2011/application-package.pdf>.

Once developed, adopted, and incorporated into the charter school contract, the Academic, Financial, and Organizational Performance Frameworks form the backbone of an authorizer's performance management system. Well-designed frameworks enable effective performance management and promote school success by establishing and communicating performance expectations for all schools in an authorizer's portfolio in a way that is objective, transparent, and directly related to school quality.

Performance Frameworks benefit both authorizers and schools and are in the interest of both parties to develop. The frameworks promote transparency and objectivity in authorizing and protect school autonomy. They enable charter school performance contracting to function as intended by providing both charter schools and authorizers with clarity about expected outcomes, objective evidence of achievement, and a comprehensive tool for evaluating results.

The frameworks promote transparency and objectivity by putting the authorizer on record and schools, parents, stakeholders, and the public on notice about the performance standards that will be used to evaluate whether or not a school is successful and is living up to its end of the charter bargain. The frameworks help to establish expectations at the beginning of the school's operation so that there will be no surprises when a school is held accountable for meeting them over the course of the charter term and at renewal.

The frameworks protect school autonomy by clarifying through mutual agreement and in objective terms the performance data the authorizer will collect and the outcomes that it expects and will evaluate. The frameworks help to establish the boundaries of the parties' relationship and define the rights and responsibilities of both the charter school and the authorizer.

## NACSA's Core Performance Framework

To assist authorizers in developing high-quality Academic, Financial, and Organizational Performance Frameworks, NACSA has developed the *Core Performance Framework*, which includes frameworks for each area of performance that authorizers can customize to meet their local needs and context. Also included is guidance on how to modify the frameworks in ways that allow for local customization without compromising rigor or utility.

The purpose of the *Core Performance Framework* and the accompanying guidance is to assist authorizers in developing and implementing their own frameworks that are high quality and aligned with NACSA's *Principles & Standards*.

The frameworks are aligned with and designed to support the three core principles of charter school authorizing—maintaining high standards, upholding school autonomy, and protecting student and public interests. NACSA encourages authorizers to adapt the core frameworks to their own local needs and contexts but also to ensure that any modifications only serve to strengthen and promote these principles.

Each of the three frameworks relates to a distinct area of performance, but all are intended to be used together as a single evaluation tool. As discussed in the [Overview](#), authorizers are charged with holding schools accountable for academic performance first and foremost, but also for financial and organizational performance. Monitoring and evaluation of all three of these areas are essential to effective charter school performance management. When joined together, the Academic, Financial, and Organizational Performance Frameworks form a single, comprehensive school Performance Framework.

Each framework also includes a common set of essential components. Each includes indicators, measures, metrics, targets, and ratings.

**Indicators:** An indicator is a general category of performance such as student achievement, long-term financial sustainability, or governance and reporting.

**Measures:** Measures are general means to evaluate an aspect of an indicator such as student proficiency on state-mandated tests, debt-to-asset ratio, or governance reporting compliance.

**Metrics:** Metrics are means of evaluating a measure such as the percentage of students that achieve proficiency on the state's reading exam, current debt-to-asset ratio, or publication of board meetings.

**Targets:** Targets are goals that signify whether a particular measure has been met, such as 70 percent proficiency on state tests, a debt-to-asset ratio of at least 1:1, and 100 percent publication of all board meetings.

**Ratings:** A rating is a label given to categorize a particular level of performance such as "Exceeds Standard," "Meets Standard," "Does Not Meet Standard," or "Falls Far Below Standard."

## Framework Development and Implementation

In its work with leading authorizers across the country who are developing and implementing Performance Frameworks, NACSA has learned several key lessons.

### Engaging Stakeholders

A key benefit of a school Performance Framework is that it creates clarity about expectations for both authorizers and schools. A significant risk in attempting to use the framework to manage performance, especially when using it to make high-stakes decisions such as renewal or revocation, is if the school or other key stakeholders refuse to endorse the objectivity or appropriateness of its contents. It is, therefore, critical that authorizers engage with school leaders, board members, and community groups as they are developing their frameworks so that they can hear a variety of perspectives, share their vision about the importance of rigorous standards, and achieve broad buy-in from the beginning. In designing an engagement strategy, authorizers should consider who has a stake in ensuring school quality, who the framework will impact, who could influence how the framework is used, and who holds the authority to make decisions based on the ratings it produces. While authorizers should consider feedback from stakeholders in the development of the Performance Framework, they ultimately must ensure that the framework maintains rigor and holds schools to a high standard.

### Contractual Issues

A strong charter contract includes clearly defined performance standards and makes clear the roles and responsibilities of both the school and the authorizer. Ideally, an authorizer's Performance Framework should be formally adopted in policy, and incorporated by reference and included as an exhibit in the charter contract. Formal adoption and incorporation is the best way to establish mutual agreement about the legitimacy and enforceability of the framework.

Once developed through stakeholder engagement and adopted in policy, the framework should be included in each new school contract and each existing school's contract at renewal, if not before. To avoid inconsistency of performance standards among their portfolios of schools, authorizers should consider whether it is appropriate and feasible to apply the framework to all schools at the same time, either through a contract amendment process or memoranda of understanding. Involving schools in the development of the framework and getting buy-in throughout the process will make early adoption easier. Authorizers may also find that existing schools, especially high performers, will welcome the transparency and predictability that a Performance Framework provides and can be convinced that it is in their interests to support common standards.

### Monitoring, Intervention, Reporting, and Decision Making

As the framework is being developed and prior to adoption and implementation, authorizers need to consider how they will collect data and other evidence to feed into the framework, what aspects of the framework will require ongoing monitoring, the protocols for any necessary intervention, when and in what format annual reporting will occur, and how the framework will be used by the authorizer's governing authority to inform its decision making about renewal and revocation.

It is especially important to consider how to reduce reporting burdens for schools in ways that make collection of critical information as easy and efficient as possible. Many data functions can be automated and simplified using effective communication, consistent and transparent reporting requirements, and readily available or easily developed tracking tools.

It is also important for authorizers to recognize and plan for the reality that no matter how strong their Performance Framework is, it will not remove the need for authorizer judgment, nor enforce itself. Authorizers must have the agency capacity and political will to use the framework as it is intended to reap its benefits.

### Using the Core Performance Framework and Guidance

The *Core Performance Framework* is provided as a model for authorizers seeking to develop and implement their own school Performance Frameworks. NACSA encourages authorizers to adapt the *Core Performance Framework* to fit their own needs and circumstances and align with their state's charter school law, school accountability system, and other applicable laws and policies. The accompanying guidance is provided to explain the various elements of the framework and to assist authorizers in customizing it for use in evaluation of the schools in their portfolios. While customization of the *Core Performance Framework* is encouraged, authorizers should take care to ensure that any modifications that are made do not lower standards for academic, financial, and organization performance, or otherwise compromise the authorizer's ability to hold schools accountable for successful outcomes.





# Core Academic Performance Framework Guidance

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## Core Academic Performance Framework Guidance


The Core Academic Performance Framework is intended as a starting point for authorizers to adapt to hold charter schools accountable for academic performance, recognizing that authorizers oversee charter schools in different states, with varied missions, in a variety of political environments. A state or district charter office may be required to use a Performance Framework that is closely aligned with, or at least does not contradict, state or district accountability systems, while other authorizers may have more flexibility in choosing measures of accountability. This guidance document is intended to assist authorizers in tailoring the Core Academic Performance Framework for use in evaluating their specific portfolios of charter schools.

Authorizers are charged with holding charter schools accountable for high standards of academic performance. This framework focuses purposefully on quantitative academic outcomes as a basis for analysis to be used in high-stakes decisions. Qualitative measures, most often inputs like observations of classroom instruction, may provide context for the outcomes that authorizers analyze; however, inputs do not measure the academic performance of the students in the school and so are not included in the Academic Performance Framework.

Authorizers should still evaluate educational processes that are required by law to ensure that the charter organization is meeting high expectations and doing so in a responsible manner. If educational processes are required by law, such elements should be included in the Organizational Framework, and further guidance on the reasoning for this indicator can be found in the [Core Organizational Performance Framework Guidance](#).

### Framework Structure

The Academic Performance Framework is organized by indicators, measures, metrics, and targets.

| Component         | Definition  | Example  |
|-------------------|---|--|
| <b>Indicators</b> | General categories of academic performance  | Student achievement  |
| <b>Measures</b>   | General means to evaluate an aspect of an indicator   | Proficiency on state assessments   |
| <b>Metrics</b>    | Method of quantifying a measure   | Percentage of students achieving proficiency on specific exams                                     |
| <b>Targets</b>    | Thresholds that signify success in meeting the standard for a specific measure<br> | 80 percent of students achieve proficiency on state assessment                                     |
| <b>Ratings</b>    | Assignment of charter school performance into one of four rating categories, based on how the school performs against the framework targets                           | If school meets the target proficiency rate of 80 percent, the rating category is “Meets Standard” |

## Indicators

The framework includes five indicators designed to evaluate the school's overall academic performance.

### 1. State and Federal Accountability

The framework includes reference to existing state and federal accountability measures and targets. All states have federal Annual Measurable Objectives (AMOs), whether under No Child Left Behind (NCLB) or Elementary and Secondary Education Act (ESEA) waivers. Many states use additional ratings or grading systems to evaluate schools. All authorizers should include state and federal accountability systems in their Performance Frameworks in some form. We discuss in more detail below the options authorizers may consider for how to address these measures within their frameworks.

### 2. Student Progress Over Time (Growth)

Growth models measure how much students learn and improve over the course of a school year. The inclusion of growth measures in the framework acknowledges that relying solely on a snapshot of student proficiency misses progress that schools may be making over time in bringing students up to grade level, a task that may take more than a single year. Students who enter school behind their peers and students who are not meeting state standards need to make more than a year's worth of growth each year to "catch up." Equally important, students who are already at grade level, or proficient, should continue to make sufficient growth to meet and exceed proficiency standards. The framework considers aggregate growth for each charter school as well as progress of significant subgroups within the school.

### 3. Student Achievement (Status)

The student achievement indicator focuses on the percentage of students meeting standards for proficiency on state assessments. Charter schools should ultimately be accountable for how well children are mastering fundamental skills and content such as literacy and mathematics. The framework includes an analysis of overall and subgroup proficiency rates in charter schools and compares these rates to the overall state rates and rates of schools that students might otherwise attend, as well as schools serving demographically similar populations.

### 4. Post-Secondary Readiness (for High Schools)

This indicator examines how well a school's students are prepared for college or employment after graduation. The framework includes SAT/ACT results and graduation rates and recommends additional data-collection efforts to assess post-secondary success of graduates. For many authorizers, the relevant data have limited availability, so the measures of post-secondary success will be aspirational in nature. Many states, however, are improving coordination between K–12 and post-secondary data systems. Thus, NACSA anticipates that these data will become increasingly available to authorizers for inclusion in Academic Performance Frameworks.

### 5. Mission-Specific Academic Goals

The framework allows for the inclusion of school-specific measures of academic outcomes that are agreed upon by individual schools and authorizers. These measures should be applied only if the goals are **valid, reliable, measurable, and quantifiable** and are not otherwise captured in the Performance Framework. NACSA recommends that mission-specific goals be optional, rather than mandatory, on a school-by-school basis; however, schools with unique missions not captured by traditional measures (e.g., dual language, performing arts) should be expected to develop mission-specific goals.

## Measures

For each of the indicators, the framework provides a number of measures to evaluate schools. The combination of measures, taken on the whole, provides the authorizer with a “balanced scorecard” of each school’s performance over time. The measures take the form of questions about the school’s performance. For example,

- Is the school increasing subgroup performance over time?
- Are students achieving proficiency on state examinations in math and reading?
- Are high school graduates gaining admission to post-secondary institutions?

Authorizers will need to evaluate available resources and data sources, as well as authorizer and school missions and priorities, when finalizing measures to be included in the framework.

## Metrics

Metrics are the methods of evaluating a measure. For example, to answer the question, “Does students’ performance on the ACT and SAT reflect college readiness?” authorizers may calculate metrics such as,

- Percentage of students participating in the ACT or SAT
- Average SAT or ACT score in the school
- Percentage of students meeting a certain SAT or ACT score that represents college readiness

Authorizers will need to review the available data to determine which metrics are applicable to their charter schools.

## Targets and Rating Categories

For each of the measures, targets are set to rate the schools against the framework. The targets establish the levels of performance needed to place each school into the following rating categories:

### *Exceeds Standard:*

Meeting the targets for this rating category implies that the charter school is exceeding expectations and showing exemplary performance. These schools are clearly on track for charter renewal and warrant consideration for the authorizer to encourage expansion or replication.

### *Meets Standard:*

The targets for this rating category set the minimum expectations for charter school performance. Schools earning this rating are performing well and are on track for charter renewal.

### *Does Not Meet Standard:*

Schools in this rating category have failed to meet minimum expectations for performance. At a minimum, they should be subject to closer monitoring, and their status for renewal is in question.

### *Falls Far Below Standard:*

Schools that fall into this rating category are performing well below the authorizer’s expectations and are frequently on par with the lowest-performing schools in the district and state. Schools that fall into this rating category exhibit performance that is so inadequate that they should be subject to non-renewal or revocation of their charters unless they can demonstrate substantial improvement prior to the end of their charter terms. The targets for this rating category should be set at a level that makes a clear case for unacceptable academic performance.

The targets presented in the NACSA model are meant to provide a starting point for authorizers to develop targets appropriate to their schools, state environment, and authorizing mission. Where possible, the NACSA targets are based upon national performance averages; in other cases sample targets are presented. Detail is provided at the beginning of each indicator in the Measures in Detail section.

In establishing targets for the framework, authorizers should begin by setting targets for the “Meets Standard” rating category. The targets for the “Meets Standard” rating category should set the authorizers’ expectations and definitions of a quality school. Targets should be applied consistently to all schools, though alternate methods may be developed for alternative schools or small schools with very low enrollment numbers. Any exceptions to the application of the framework should be clearly communicated to schools, with clear definitions of schools that are eligible for alternative methods of evaluation.

Authorizers may face challenges or feel hesitation in setting targets that are more demanding than expectations of traditional district schools. It is important to remember that charter schools are granted autonomy in exchange for greater accountability, often with the expectation that charter schools will outperform traditional district schools. Authorizers are in a position to raise performance standards in their districts and states.

## Alignment with Existing Accountability Systems

Authorizers must consider how closely to align their Performance Frameworks with existing accountability systems. This section focuses on state accountability systems, but similar considerations may apply to federal or district accountability systems. The state accountability system should be considered a starting point in developing a Performance Framework. Benefits of closely aligning the charter school Performance Framework to the state accountability system include:

- Adoption of established state metrics or benchmarks allows authorizers to rely on state data sources and analysis, reducing the resources required of authorizer staff.
- Authorizers can provide some consistency to schools that are held accountable to certain standards by the state’s accountability system. Deviation from state accountability systems may create confusion for stakeholders. Authorizers should create frameworks that are likely to provide a clear picture of performance, but they should recognize that communication efforts will be needed if there are significant differences between the authorizer and state systems.
- Schools that are designated as the worst schools in the state on the state accountability system are similarly designated for non-renewal or revocation on the Performance Framework, ensuring that the Performance Framework does not let schools off the hook for poor performance.

Alignment may, however, present some challenges to authorizers. For example:

- Many state accountability systems create a large category in the middle. Adoption of these categorizations prevents authorizers from setting a clear expectation for charter school performance. For example, in a state that assigns a “C” grade to those schools performing from the 25th to 75th percentile of performance, authorizers may wish to further distinguish between a charter school performing at the 26th percentile from another at the 74th percentile.
- When authorizers do align frameworks or specific measures to state systems, they face the risk of losing important elements of their frameworks as state systems change in the future.
- Some state accountability systems, particularly those in states that have not received Elementary and Secondary Education Act (ESEA) waivers, may not include critical elements, such as student growth or

post-secondary readiness, or appropriately differentiate strong schools from weak, thereby making rigorous charter school accountability difficult. Accountability systems developed through the ESEA waiver process, however, have included the adoption of stronger growth models and expanded post-secondary measures, giving authorizers access to far more detailed academic data through state data warehouses than in the past.

All authorizers should include the state accountability system in their Performance Frameworks; however, based on the pros and cons above, authorizers have several options regarding how to do so:

- If state systems are well suited for high-stakes charter renewal decisions, authorizers may simply adopt state accountability systems as their entire Academic Performance Framework for use in chartering and renewal. This approach is easily understood by stakeholders but requires a state system highly aligned with the authorizer’s mission.
- Authorizers may adopt the state system, with additional or “supplementary” measures. This approach builds upon the state system, which will have broad exposure, and presumably, will be clearly understood by the public, but allows authorizers to add measures that address the charter context. This approach allows for the inclusion of measures, such as comparison to schools serving similar populations or schools that students might otherwise attend that are applicable to charter renewal decisions, as well as mission-specific academic goals. The Core Academic Performance Framework adopts this method, with the state accountability system incorporated as the first indicator. When authorizers roll up their analysis of the Academic Performance Framework, they should be thoughtful about how much weight they give to this indicator. For instance, if the state system is comprehensive and rigorous, authorizers may choose to weight it more heavily. For more information on considerations for weighting, see the subsection **Weighting the Framework**.
- Authorizers that wish to have more flexibility than the state accountability system may choose some measures within the state system that most closely fit their purposes, while adjusting the other measures or substituting them with new measures. For instance, an authorizer may choose to exclude measures of student engagement that may be included in the state system because such measures are not considered academic outcomes. Authorizers taking this approach should work to include rigorous measures within each of the indicators including growth and proficiency. They should also be careful to communicate their reasons for not adopting the state accountability system in its entirety. Authorizers should also ensure that their Performance Framework still identifies the lowest-performing schools in the state for non-renewal or revocation.
- Within each of the options above, authorizers should also consider whether they will include a breakdown of the measures included in the state accountability system as separate measures in the framework. For example, if the state accountability system includes growth and proficiency, authorizers may repeat these measures in the framework or may rely on their inclusion in the state system. Breaking out the measures from the state accountability system may provide more clarity to schools about the authorizers’ expectations, and in some cases, authorizers may choose to set more rigorous targets than those set by the state. However, repeating these measures could lead to certain measures being “double counted,” in which case authorizers should be careful about how much weight they give to the state accountability system as a whole in relation to the individual measures.

The best approach depends upon the quality and composition of existing accountability systems and a frank assessment of authorizers’ expectations for charter school performance. When determining how to incorporate the state accountability system, authorizers should be careful to complement and not contradict the state system and should ensure that the framework truly assesses student performance for accountability and monitoring purposes.

## Measures in Detail

Each of the indicators and measures is presented below with factors to consider in using the Academic Performance Framework to evaluate charter schools. Included is an overview of each measure, different methodological options available, factors to consider when setting specific targets, and additional resources on related topics.

The framework is intended to be used in its *entirety*, unless otherwise indicated. Though there may be individual measures that authorizers cannot include due to data accessibility or political considerations, all attempts should be made to find alternative measures or metrics to include all aspects of the framework.

Please note that many of the measures in this document include targets denoted with brackets that were developed based on experience working with authorizers during the pilot of the Performance Framework. Individual authorizers should develop their own specific targets through the trial run process. See section [Testing/Trial Run](#) for more guidance.

### Indicator 1: State and Federal Accountability Systems

As mentioned earlier, authorizers should first consider the already existing accountability systems to which charter schools may be held accountable. This allows for authorizers to draw on the expertise of those in their state and simplify accountability for charter schools, and it may help an authorizer build a public case to take action on a school when necessary. Because state accountability systems vary widely, we have included four measures that authorizers should consider, depending on how their state's system is structured. Adequate Yearly Progress (AYP) determinations, Elementary and Secondary Education Act (ESEA) waiver targets, and school ratings in the state accountability system, if available, are included in the Performance Framework to provide information about how the school is evaluated by existing state and federal accountability systems. Authorizers with schools in districts with additional accountability frameworks may consider adding those evaluations to the framework.

While the targets denoted with brackets in the measures below were developed based on experience working with authorizers during the pilot of the Performance Frameworks, individual authorizers should develop their own specific targets through the trial run process. See section [Testing/Trial Run](#) for more guidance.

#### State Grading or Rating Systems

| Measure 1a<br>Is the school meeting acceptable standards according to existing state grading or rating systems?  |
|--|
| <p><b>Exceeds Standard:</b></p> <input type="checkbox"/> School received the highest grade or rating (A or equivalent) from the state accountability system  |
| <p><b>Meets Standard:</b></p> <input type="checkbox"/> School received a passing grade or rating according to the state accountability system                |
| <p><b>Does Not Meet Standard:</b></p> <input type="checkbox"/> School did not receive a passing grade or rating according to the state accountability system |
| <p><b>Falls Far Below Standard:</b></p> <input type="checkbox"/> School identified for intervention or considered failing by the state accountability system |

*Note: This measure applies only to states that have implemented a state grade or rating as part of a school accountability system.*

## Annual Measurable Objectives (AMOs)

|   |
|---|
| <p><b>Measure 1b</b><br/>Is school meeting targets set forth by state and federal accountability systems?</p>   |
| <p><b>Exceeds Standard:</b><br/><input type="checkbox"/> School met [100 percent] of the Annual Measurable Objectives (AMOs) set by the state</p>                   |
| <p><b>Meets Standard:</b><br/><input type="checkbox"/> School met [80–99 percent] of the Annual Measurable Objectives (AMOs) set by the state</p>                   |
| <p><b>Does Not Meet Standard:</b><br/><input type="checkbox"/> School met [60–79 percent] of the Annual Measurable Objectives (AMOs) set by the state</p>           |
| <p><b>Falls Far Below Standard:</b><br/><input type="checkbox"/> School met [fewer than 60 percent] of the Annual Measurable Objectives (AMOs) set by the state</p> |

## State Designations

|   |
|---|
| <p><b>Measure 1c</b><br/>Is school meeting state designation expectations as set forth by state and federal accountability systems?</p> |
| <p><b>Exceeds Standard:</b><br/><input type="checkbox"/> School was identified as a “Reward” school</p>                                 |
| <p><b>Meets Standard:</b><br/><input type="checkbox"/> School does not have a designation</p>   |
| <p><b>Does Not Meet Standard:</b><br/><input type="checkbox"/> School was identified as a “Focus” school</p>                            |
| <p><b>Falls Far Below Standard:</b><br/><input type="checkbox"/> School was identified as a “Priority” school</p>                       |

*Note: State-specific definitions should be evaluated when setting these targets, as states define “Reward,” “Focus,” and “Priority” differently.*

## Adequate Yearly Progress (AYP)

|  |
|--|
| <p><b>Measure 1d</b><br/>Did school meet Adequate Yearly Progress (AYP) requirements?</p>  |
| <p><b>Meets Standard:</b><br/><input type="checkbox"/> School met AYP</p>                  |
| <p><b>Does Not Meet Standard:</b><br/><input type="checkbox"/> School did not meet AYP</p> |

With changes to federal accountability requirements, authorizers should carefully evaluate how closely to align charter Performance Frameworks with the evaluations carried out by state departments of education. Ideally, state Annual Measurable Objectives (AMOs) can be included in ways that do not make the charter framework obsolete with changes in state and federal requirements. For example, an authorizer that directly includes ESEA waiver-established, school-specific performance targets through 2017 in the framework will need to rewrite the Performance Framework, and possibly charter contracts, after 2017. By including these ratings and AMOs in a separate indicator, authorizers can create alignment with state and federal systems while maintaining freedom to set standards for performance in the rest of the framework.

A state grading system that includes both status and growth may duplicate Measures 2a and 3a, essentially double-counting these measures. Authorizers should be careful about how much weight they give to the state accountability system as a whole in relation to the individual measures. By including a state rating or grade in the framework but giving it a low weight in the overall scoring of the framework, the issue of double counting is minimized while still providing alignment with state evaluation systems. Alternatively, if the state accountability system is rigorous, an authorizer might weight the state system more heavily and give lower weight to the individual measures that are redundant with the state system, or exclude them altogether.

**Recommendation:** Include district, state, and federal accountability evaluations, and consider their rigor and potential duplicity with other aspects of the framework when weighting the measures. Seek to word measures and targets generally enough so that they do not have to be revised whenever district, state, and federal accountability provisions change.

### Setting targets for state and federal accountability measures

Targets should mirror the targets of the rating system (e.g., if a school is deemed passing in the rating system, it should fall into the “Meets Standard” category of the Performance Framework).

## Indicator 2: Student Progress Over Time (Growth)

Growth measures assess the progress that individual students have made over time. The framework measures consider both criterion-referenced growth and norm-referenced growth for the school, as well as a focused view of growth of students in demographically significant subgroups. These subgroups should include students with disabilities and English Language Learner (ELL) students. Growth is evaluated separately for reading, math, and any other tested subjects with growth data. If there is a state accountability framework that includes a growth model, authorizers should consider whether those measures could replace the growth measures included in this indicator. Ideally, analysis of growth will include both a norm-referenced and a criterion-referenced growth measure.

While the targets denoted with brackets in the measures below were developed based on experience working with authorizers during the pilot for the Performance Frameworks, individual authorizers should develop their own specific targets through the trial run process. See section [Testing/Trial Run](#) for more guidance. Authorizers should consider normative distributions of growth when developing the specific targets for these measures.

## Growth

|   |
|---|
| <p><b>Measure 2a</b><br/>Are students making sufficient annual academic growth to achieve proficiency (criterion-referenced growth)?</p> <p><b>Exceeds Standard:</b><br/><input type="checkbox"/> [At least 85 percent] of students are making sufficient academic growth to achieve, maintain, or exceed proficiency</p> <p><b>Meets Standard:</b><br/><input type="checkbox"/> [Between 70–84 percent] of students are making sufficient academic growth to achieve or maintain proficiency</p> <p><b>Does Not Meet Standard:</b><br/><input type="checkbox"/> [Between 50–69 percent] of students are making sufficient academic growth to achieve proficiency</p> <p><b>Falls Far Below Standard:</b><br/><input type="checkbox"/> [Fewer than 50 percent] of students are making sufficient academic growth to achieve proficiency</p> |
| <p><b>Measure 2b</b><br/>Are students making expected annual academic growth compared to their academic peers (norm-referenced growth)?</p> <p><b>Exceeds Standard:</b><br/><input type="checkbox"/> [At least 80 percent] of students are making expected growth</p> <p><b>Meets Standard:</b><br/><input type="checkbox"/> [Between 65–79 percent] of students are making expected growth</p> <p><b>Does Not Meet Standard:</b><br/><input type="checkbox"/> [Between 50–64 percent] of students are making expected growth</p> <p><b>Falls Far Below Standard:</b><br/><input type="checkbox"/> [Fewer than 50 percent] of students are making expected growth</p>   |

Of utmost importance in evaluating school quality is the assessment of how much students are learning over time. While pass rates, or proficiency rates, answer the important question, “Are students meeting grade level expectations?” growth measures address the questions, “How much are students learning, and is that learning sufficient to achieve and maintain proficiency?” Many charter schools enroll students one or more years below grade level; it is appropriate and fair to consider how well they are doing in catching up students. Charter schools may require more than a year to bring students up to grade level if students start out far behind.

Many growth models in use for school evaluation are either “norm-referenced” or “criterion-referenced” in their approach. Norm-referenced models compare the progress made by individual students to the progress made by other students with a similar starting point or performance history. With this approach, a student would be assessed as making less than expected growth, expected growth, or more than expected growth based on the growth of other students in the school, district, state, or nation. Criterion-referenced growth models assess whether students are making sufficient growth to attain a certain status, such as grade level or proficiency, within a defined time period.

Growth models ideally include both norm-referenced and criterion-referenced components—evaluating not only how growth of students within a school compares to growth of other students, but also whether students are making sufficient growth to achieve proficiency in a reasonable period of time. Growth based solely on comparison to a peer group runs the risk of categorizing a student as showing “high growth” when (s)he is outperforming peers, but showing insufficient growth to achieve or maintain proficiency. As an example, a student who makes three-quarters of a year’s growth will compare favorably in a cohort of peers who on average make half a year’s

make half a year's growth. Based solely on peer comparison, the student would seem to have high or exemplary growth, when (s)he is in fact falling behind in reference to grade-level standards.

In 2010, 19 states included a growth measure in their state accountability systems. A number of additional states are piloting growth measures or have plans to introduce growth measures, often as part of Elementary and Secondary Education Act (ESEA) waiver applications. Many states are adopting the Student Growth Percentiles model first used in the Colorado Growth Model. This model involves the calculation of Student Growth Percentiles (SGPs) that rank each student's growth compared to students with the same starting point or performance history. Each student's SGP tells how that student's growth compares to all students across the state with a similar performance history in current and past years. A student with an SGP of 66 shows higher growth than two-thirds of students across the state that started at the same performance level. In addition to the SGP calculation, the Colorado Growth Model includes a calculation of adequate growth. Each student is evaluated to see whether (s)he is on track to achieve proficiency within three years, the target set by the state accountability system. With both SGPs and the adequate growth component, the Colorado Growth Model shows a full picture—how students in a school are progressing compared to their peers across the state, and whether that growth is sufficient to achieve proficiency within a defined time period, three years in this case.

While many states are adopting methodologies similar to the Colorado Growth Model, they typically are using only the SGP component, without the additional calculation of adequate growth. In some cases, the growth model selected by the state or data systems implemented in the state may make adequate growth calculations difficult or impossible (e.g., states without a vertically aligned assessment cannot easily compare an individual student's scores from year to year). It is important to know how growth is calculated and to understand whether available state growth models include a calculation of growth-to-proficiency or are solely norm-referenced in nature.

Authorizers in states with only a norm-referenced growth model should investigate ways to strengthen the growth evaluation for their charter schools by adding a growth-to-proficiency (criterion-referenced) model.

#### **Authorizer options for growth measures in Performance Frameworks include:**

##### **Option 1 State Growth Measure**

In states that calculate a student growth measure, incorporating that growth measure in Academic Performance Frameworks is generally the most efficient option for authorizers. If the state growth targets are low or the model does not include a growth-to-proficiency component, though, authorizers may want to consider other options, either in addition to or in the place of state growth models.

##### **Option 2 Nationally Normed Tests**

Authorizers may choose to require charter schools to administer a nationally normed assessment, such as the Northwest Evaluation Association (NWEA) Measures of Academic Progress (MAP) or TerraNova assessment. Student-level results may be used to assess student growth for all of the authorized charter schools, and to compare charter school students' performance to students nationwide. Where it is possible to link national assessment scores to state assessment proficiency benchmarks, authorizers may also use the national assessments to evaluate growth-to-proficiency.

##### **Option 3 Calculation of Growth Measure with Student-Level State Assessment Data**

Depending on available resources, authorizers may calculate growth using student-level state assessment results. The ability to calculate growth measures is dependent on access to student-level data, staff to carry out analyses, characteristics of the state assessment such as "vertical alignment" of scores across grade levels, and, for more sophisticated models, access to certain kinds of statistical software.

There are many models to calculate growth, varying widely in their technical sophistication. While it is clearly advantageous to use the most detailed and exact model, it is better to use the best available growth measure rather than not including growth in the framework. Using student-level data, authorizers may consider:

- *Growth Models*—Analysis of the changes over time in individual student results. Assessment results for each individual student are compared across years to determine whether student scores are improving or declining. Growth measures are aggregated to the school, district, or state level. Depending on the analysis, growth targets may be defined by improvement towards benchmarks for proficiency or improvement compared to peers (based on similar performance history). One common approach to comparing growth to peers is the use of “value-added models,” which compare predicted to actual student performance growth over time. Predicted values take into account student characteristics such as individual performance history. Value-added models sometimes take into account demographic characteristics of students, though this practice should be used with caution because it could have the effect of setting lower growth expectations for some disadvantaged groups of students.
- *Cohort Status Change Models*—Evaluation of changes in proficiency levels over time. For example, the percentage of students at different proficiency levels in a cohort would be compared across multiple years to see whether the number of students at the various proficiency levels is increasing, decreasing, or remaining the same. This type of analysis is the weakest of growth models and only captures change in performance that results in a change in proficiency level. The analysis ignores students who grow (or decline) but do not cross proficiency category lines.

**Recommendation:** Include a growth measure that addresses growth-to-proficiency (criterion-referenced growth). If this is not provided by the state accountability system, consider other options for assessing growth.

### Setting targets for growth

Factors to consider in setting targets for growth measures:

- What is the authorizer’s standard of a minimum acceptable amount of growth, such as a year’s worth of growth or the amount of growth needed to attain or maintain proficiency over time?
- Are there available national, state, or district growth averages for comparison?
- Are there available national, state, or district growth benchmarks for comparison?
- If applicable, what are state accountability targets for state growth models?

### Additional resources for growth measures

Ernst, J. and Wenning, R. (2009). *Leave No Charter Behind: An Authorizer’s Guide to the Use of Growth Data*. NACSA Issue Brief. Retrieved from: [www.qualitycharters.org/images/stories/publications/Issue\\_Briefs/July09\\_Issue\\_Brief\\_Growth\\_Data.pdf](http://www.qualitycharters.org/images/stories/publications/Issue_Briefs/July09_Issue_Brief_Growth_Data.pdf)

## Subgroup Growth

| Measure 2c<br>Is the school increasing subgroup academic performance over time?  |
|--|
| <p><b>Exceeds Standard:</b></p> <input type="checkbox"/> [At least 85 percent] of students in eligible subgroups are making sufficient academic growth to achieve, maintain, or exceed proficiency |
| <p><b>Meets Standard:</b></p> <input type="checkbox"/> [Between 70–84 percent] of students in eligible subgroups are making sufficient academic growth to achieve or maintain proficiency          |
| <p><b>Does Not Meet Standard:</b></p> <input type="checkbox"/> [Between 50–69 percent] of students in eligible subgroups are making sufficient academic growth to achieve proficiency              |
| <p><b>Falls Far Below Standard:</b></p> <input type="checkbox"/> [Fewer than 50 percent] of students in eligible subgroups are making sufficient academic growth to achieve proficiency            |

Closing achievement gaps between low-performing subgroups and majority groups is an issue of ongoing national concern. Many charter schools operate with the express mission of closing achievement gaps and providing a high-quality education to underserved students. In addition, it is critical that charter schools serve students with disabilities and English Language Learner (ELL) students well. Given this context, measuring changes in subgroup performance in reading and math is an important component of the Academic Performance Framework. Without this analysis, strong growth on a school-wide growth measure could mask low growth by certain subgroups.

### Authorizer options to include subgroup growth in Performance Frameworks:

#### Option 1: Apply Growth Measure to Subgroups or Non-Proficient Students

If a strong growth measure is available or has been developed for Measure 1a, this same methodology may be used to evaluate growth for eligible subgroups within the school or for the lowest-performing students in the school (students with the lowest baseline assessment scores). Growth within the subgroup may be compared to school-wide and state-wide rates of growth. The subgroup growth may also be compared to majority groups at the school and state level.

#### Option 2: Calculation of Changes in Subgroup Performance Over Time

In the absence of a strong growth model, authorizers may evaluate subgroup growth through changes in subgroup proficiency rates over time in comparison to majority groups. Analysis of change in proficiency over time, a status change model, is a weak model for growth analysis, but should be used if no other options for evaluating subgroup growth exist.

Because many charter schools serve large numbers of students in eligible subgroups, it is frequently not feasible to calculate performance gaps between groups within a single school. In a charter school with 98 percent economically disadvantaged students, for example, the performance of the two percent of non-economically-disadvantaged students does not provide a strong comparison. For this reason, the analyses may compare a charter school's subgroup proficiency rate to the state majority group proficiency rate for schools serving the same grade levels. The targets for the achievement gap measures can be expressed in the change in the gap over time.

The subgroup measure should be applied to all significant subgroups in the school. If a school has high enrollment of both economically disadvantaged students and students with disabilities, for example, the measure should be calculated for both subgroups.

**Recommendation:** Evaluate growth of students in eligible subgroups.

### Setting targets for subgroup growth

Factors to consider in setting targets for subgroup growth:

- What is the authorizer’s standard of a minimum acceptable amount of growth, such as a year’s worth of growth or the amount of growth needed to attain or maintain proficiency over time?
- What percentage of students starts out non-proficient in the school and thus requires greater than one year of growth each year?
- Are national, state, or district growth averages available for comparison?
- Are national, state, or district growth benchmarks available for comparison?
- If applicable, what are state accountability targets for state growth models?

### Indicator 3: Student Achievement (Status)

While it is important to balance an evaluation of both the level at which students are performing and how much growth students are making toward proficiency each year, ultimately charter schools must prove that they can bring students up to and beyond grade level. The Academic Performance Framework includes a number of evaluations of student proficiency rates within each charter school, including overall proficiency, comparison to average proficiency rates for schools students might otherwise attend, comparison to schools serving similar populations, and a focus on proficiency rates of subgroups within the school. The multiple measures allow authorizers to look at school proficiency from different angles in a balanced-scorecard approach. At a minimum, Performance Frameworks should include assessments of reading and mathematics, with targets applied separately for each subject, but accountability for all core subjects is encouraged.

While the targets denoted with brackets in the measures below were developed based on experience working with authorizers during the pilot for the Performance Frameworks, individual authorizers should develop their own specific targets through the trial run process. See section [Testing/Trial Run](#) for more guidance. Given the differences that exist across states in assessment rigor and proficiency benchmark levels, it is not possible to create targets applicable to all states and authorizers.

| Measure 3a<br>Are students achieving proficiency on state examinations?  |
|--|
| <p><b>Exceeds Standard:</b></p> <input type="checkbox"/> [90 percent or more] of students met or exceeded proficiency            |
| <p><b>Meets Standard:</b></p> <input type="checkbox"/> [Between 80–89 percent] of students met or exceeded proficiency           |
| <p><b>Does Not Meet Standard:</b></p> <input type="checkbox"/> [Between 70–79 percent] of students met or exceeded proficiency   |
| <p><b>Falls Far Below Standard:</b></p> <input type="checkbox"/> [Fewer than 70 percent] of students met or exceeded proficiency |

Underlying assessments and standards for proficiency vary from state to state. Assuming that state assessments and benchmarks are rigorous, student proficiency is a valuable way to evaluate whether students are meeting state standards. Most states, including those with weaker current standards and assessments, are moving toward implementation of the Common Core standards and related assessments.

**Recommendation:** Set targets that communicate high expectations for charter school performance.

### Setting proficiency targets

The establishment of proficiency targets offers authorizers the best opportunity to set a high bar for charter school performance. By setting targets for performance, authorizers define what makes a quality school and set expectations for charter performance. Authorizers may set absolute (e.g., above 80 percent proficient) or comparative (e.g., above the state average proficiency rate) proficiency targets. There may be external factors that limit how authorizers can set proficiency targets, such as state charter laws or demands of state accountability systems. Some authorizers, for example, may need to align targets for meeting standards to state average school performance, or may be required to link targets to the state accountability system. With these approaches, charter schools are held to the same or similar standards as traditional schools, which may be politically necessary for authorizers. In states with low standards for school performance, however, authorizing rigor may be compromised by alignment with state or district targets.

When deciding whether to set absolute or comparative targets for proficiency, authorizers should consider whether state assessments will be changing to align with Common Core standards. Targets set to percentiles of statewide performance remain relevant even with changes to state assessments but reduce an authorizer's ability to set an absolute performance expectation.

#### Additional factors to consider in setting proficiency targets

- How rigorous are state assessments and proficiency benchmarks?
- Are there statutory or regulatory requirements for charter school performance assessment, such as requirements that charter schools perform above state performance averages?
- Are targets easy for charter schools and the public to understand?
- What are potential effects of changes in assessment or proficiency benchmarking?
- To what degree do framework targets need to be aligned to state proficiency Annual Measurable Objectives (AMOs)?
- Do targets for the lowest rating category identify the lowest-performing charter schools and provide a case for renewal or revocation decisions on the part of the authorizer?
- Do targets for the highest rating category identify schools that are among the highest-performing schools in the state?
- Will the state adopt new assessments to align with Common Core standards?

#### Additional resources

Phillips, G. (October 2010). International Benchmarking: State Education Performance Standards. Chicago, IL: AIR. Available at: [www.air.org/files/AIR\\_Int\\_Benchmarking\\_State\\_Ed\\_Perf\\_Standards.pdf](http://www.air.org/files/AIR_Int_Benchmarking_State_Ed_Perf_Standards.pdf)

## Subgroup Proficiency

| <b>Measure 3b</b><br><b>Are students in demographic subgroups achieving proficiency on state examinations compared to state subgroups?</b>   |
|--|
| <p><b>Exceeds Standard:</b></p> <p><input type="checkbox"/> School's average subgroup proficiency rate [exceeds the average state performance of students in the same subgroup in the same grades by 15 or more percentage points OR subgroups in the school are outperforming the average state non-subgroup proficiency rates]</p> |
| <p><b>Meets Standard:</b></p> <p><input type="checkbox"/> School's average subgroup proficiency rate [meets or exceeds the average state performance of students in the same subgroup in the same grades by up to 15 percentage points]</p>  |
| <p><b>Does Not Meet Standard:</b></p> <p><input type="checkbox"/> School's average subgroup proficiency rate [is less than the average state performance of students in the same subgroup in the same grades by 1–14 percentage points]</p>  |
| <p><b>Falls Far Below Standard:</b></p> <p><input type="checkbox"/> School's average subgroup proficiency rate [is less than the average state performance of students in the same subgroup in the same grades by 15 or more percentage points]</p>  |

While Measure 3a reviews school-level proficiency, it is important to look beyond the school-level proficiency averages to the performance of subgroups within the school. High performance of a majority group may mask poor performance of a subgroup. For example, a school with 10 percent African-American and 90 percent white students could have a high overall proficiency rate; but on closer analysis, the African-American students may have dramatically lower rates of proficiency that are hidden by the performance of the rest of the student body. Evaluating the performance of students with disabilities and English Language Learner (ELL) students is also a critical component of this measure.

In the growth section of the framework, Measure 2b evaluates the change in subgroup performance over time, but it is equally important to evaluate the absolute performance of subgroups in charter schools. While the rate of learning gains must be positive, as measured by growth in subgroups, higher levels of proficiency for all charter school students must ultimately be met.

The subgroup proficiency measure compares the proficiency rates of subgroups within the school to the state average proficiency rate for that same subgroup. This comparison allows authorizers to analyze how charter school students are faring in comparison to similar students across the state. To maintain high expectations for all students, authorizers should not regard better-than-average subgroup performance as “good enough” if subgroups are not meeting overall authorizer targets for proficiency. However, evidence that a school's disadvantaged subgroups are performing at lower levels than their similarly disadvantaged peers around the state should prompt authorizers to take serious action.

Depending on authorizer mission, as well as patterns of district and state proficiency, authorizers may choose to compare to the district average subgroup proficiency, rather than state averages. This may be a preferred method for authorizers with charter schools that are all located in a single metropolitan area, where district performance is on average higher than statewide performance.

**Recommendation:** Evaluate charter school, district, and state subgroup performance levels in order to set the most discriminating targets possible.

### Setting targets for subgroup proficiency

Authorizers should review subgroup performance patterns in the district and state, and set targets based on the higher-performing comparison groups.

Factors to consider when setting targets:

- What are the eligible subgroups within the charter schools?
- Do the targets for the lowest rating category identify schools that are failing subgroups within the school?
- How do district and state average subgroup performance rates compare?

### Schools Serving Similar Populations

#### Measure 3c

Are students performing well on state examinations in comparison to students at schools serving similar populations?

#### *Exceeds Standard:*

School's average proficiency rate [exceeds the average performance of students in schools serving similar populations in the same grades by 15 or more percentage points]

#### *Meets Standard:*

School's average proficiency rate [meets or exceeds the average performance of students in schools serving similar populations in the same grades by up to 15 percentage points]

#### *Does Not Meet Standard:*

School's average proficiency rate [is less than the average performance of students in schools serving similar populations in the same grades by 1–14 percentage points]

#### *Falls Far Below Standard:*

School's average proficiency rate [is less than the average performance of students in schools serving similar populations in the same grades by 15 or more percentage points]

Comparison analysis allows authorizers to judge how students are performing in charter schools compared to other schools serving similar student populations. By itself, such a comparison would not provide the basis for a strong accountability system. Ultimately, expectations for schools should not differ based on a school's student population. Comparative information may be useful, however, as part of a balanced-scorecard approach to evaluating school performance. In addition, in the event that a school fails to meet the authorizer's overall performance targets, comparative information can help the authorizer decide on the best course of action.

### Identification of comparable schools

A number of states identify “match” schools or calculate a similar school index or composite for all schools. In states without such an option available from the State Education Agency, there are a number of methods for carrying out a comparable schools analysis, presented in order of most rigorous to least rigorous:

1. Creating “virtual” comparable schools by matching and aggregating student-level data for students with similar performance histories
2. Comparing a school’s performance to its “predicted score,” calculated using regression analysis (e.g., California Charter Schools Association Similar Schools Measure [SSM])
3. Selecting comparable schools based on similar student-level performance history
4. Selecting similar schools based on demographic factors
5. Selecting schools in a baseline year based on both demographics and performance in the baseline year; charter school and comparable school performance in subsequent years is compared

Authorizers should select the method that most closely aligns with their mission and available data. In the absence of student-level data and staff to perform advanced analyses, many authorizers may consider selecting similar schools based on demographic factors (Option 4, above). A sample methodology is presented below.

**Option 4: Sample methodology for selecting similar schools based on demographic factors**

Identify comparable traditional district school(s) for each charter school using the best match for the following criteria:

- Serves the same grade levels and includes the same level of grades tested on assessments
- Percentage of Free or Reduced-price Lunch (FRL) students is within five percentage points of charter school
- Percentage of English Language Learners (ELL) is within five percentage points of charter school (where statewide ELL data is available)
- Percentage of special-education students is within five percentage points of charter school (where statewide special education data is available)

If it is not possible to match schools based on the criteria above, expand matching criteria to 10 percentage points.

**Recommendation:** Use the most rigorous methodology available to select schools serving similar populations.

**Setting targets for comparison to schools serving similar populations**

Poor comparative performance is often seen as the strongest argument for closure of charter schools. Targets for the schools serving similar populations measure should clearly call out inadequate performance and show cases where closure should be considered. Authorizers may consider consulting with stakeholders, including charter schools, to foster agreement on what comprises a “similar population” in order to powerfully communicate to the public how charter schools are performing.

Factors to consider in setting targets:

- Which schools provide the most logical comparison for charter schools in terms of performance and represent schools that the public views as options to charter schools?
- Do the targets accurately identify schools performing far below standard? Are the lowest targets useful for critical decision making?
- Do the targets for the highest rating category identify schools performing at the highest levels of excellence?

## Comparison of Student Options

|   |
|---|
| <p><b>Measure 3d</b><br/> <b>Are students in the school performing well on state examinations in comparison to students in schools they might otherwise attend?</b></p>   |
| <p><b>Exceeds Standard:</b><br/> <input type="checkbox"/> School's average proficiency rate [exceeds the average performance of students in schools they might otherwise attend by 15 or more percentage points]</p>              |
| <p><b>Meets Standard:</b><br/> <input type="checkbox"/> School's average proficiency rate [meets or exceeds the average performance of students in schools they might otherwise attend by up to 15 percentage points]</p>         |
| <p><b>Does Not Meet Standard:</b><br/> <input type="checkbox"/> School's average proficiency rate [is less than the average performance of students in schools they might otherwise attend by 1–14 percentage points]</p>         |
| <p><b>Falls Far Below Standard:</b><br/> <input type="checkbox"/> School's average proficiency rate [is less than the average performance of students in schools they might otherwise attend by 15 or more percentage points]</p> |

Comparison of charter performance to schools students might otherwise attend allows the authorizer to evaluate whether the charter school provides a better option for students. Successful charter schools provide an education that is superior to existing options, while charter schools that perform below such schools arguably are failing to live up to their promises. As with the comparison to schools serving similar populations, a comparison to schools students might otherwise attend would not provide the basis for a strong accountability system on its own. Even schools that significantly outperform other low-performing options may themselves be low performing and should still be considered for closure. Comparative information may be useful, however, in demonstrating whether a school is a higher-performing option for students and may be included as one of many measures as part of a balanced-scorecard approach to evaluating charter school performance.

Below are some strategies for analyzing a school's performance against schools students might otherwise attend, presented in order of most rigorous to least rigorous:

1. Compare the charter school's performance to a weighted average of the schools that its students would otherwise be assigned to attend
2. Compare the school's average proficiency rate to that of a set of schools in close geographic proximity to the charter school for the same grades served (applicable for schools in larger districts)
3. Compare the school's average proficiency rate to that of the district proficiency rate for the same grades served

Authorizers should consider their capacity and data availability for the first option. Very likely, school districts and state departments of education may be the only types of authorizers with the data necessary to analyze this measure. If authorizers do not have ready access to data, but believe it is important to include a proxy measure, the second and third options of a comparison to schools in close geographic proximity or the same district may be useful. However, these options may not truly capture the schools that students might otherwise attend, in which case, authorizers may not want to include this measure in their framework. Authorizers may also want to consider whether the inclusion of this measure creates a case for keeping a school open solely because it is outperforming student options, even if the school is performing poorly on other measures. This measure should not be used to justify poor performance. Thus, if an authorizer chooses to weight this measure, it should be given low weight.

**Recommendation:** Determine whether you intend to use the student options comparison. If you do plan to use this measure, utilize the most rigorous methodology available to select schools serving similar populations.

### Setting targets for student options

In setting targets for the student options measure, the performance of schools students might otherwise attend and/or district performance should be considered. In addition, if using a district comparison, the distribution of performance across the district should be considered to ensure that the district average is truly a fair comparison for a charter school.

Factors to consider in setting targets:

- Does the authorizer have access to data that will allow it to identify the schools that students would have otherwise attended?
- What is the authorizer’s expectation or standard of charter school performance in comparison to the geographic district?

## Indicator 4: Post-Secondary Readiness

There is increased national attention both on encouraging and increasing college attendance and on the need to ensure that students are better prepared for college. While data systems in most states that link K–12 and post-secondary data are evolving, authorizers can expect to have improved access to these data in the coming years. As many charter high schools exist with the clearly stated goal of preparing students for college, authorizers should pursue all options to evaluate post-secondary measures of success.

While the targets denoted with brackets in the measures below were developed based on experience working with authorizers during the pilot for the Performance Frameworks, individual authorizers should develop their own specific targets through the trial run process. See section [Testing/Trial Run](#) for more guidance. Targets for several post-secondary readiness measures were developed with reference to nationwide student performance but should be evaluated for applicability for individual authorizers’ schools and state environments.

### ACT and SAT

| Measure 4a1<br>Does students’ performance on the ACT and SAT reflect college readiness?   |
|---|
| <p><b>Exceeds Standard:</b></p> <input type="checkbox"/> The percentage of students meeting benchmarks for ACT or SAT performance [exceeds the national average by at least 20 percent]             |
| <p><b>Meets Standard:</b></p> <input type="checkbox"/> The percentage of students meeting benchmarks for ACT or SAT performance [meets or exceeds the national average by up to 20 percent]         |
| <p><b>Does Not Meet Standard:</b></p> <input type="checkbox"/> The percentage of students meeting benchmarks for ACT or SAT performance [falls below the national average by up to 20 percent]      |
| <p><b>Falls Far Below Standard:</b></p> <input type="checkbox"/> The percentage of students meeting benchmarks for ACT or SAT performance [falls below the national average by at least 20 percent] |

**Measure 4a2****Are students participating in the ACT or SAT?****Exceeds Standard:**

[More than 90 percent] of students participated in the ACT or SAT

**Meets Standard:**

[70–89 percent] of students participated in the ACT or SAT

**Does Not Meet Standard:**

[50–69 percent] of students participated in the ACT or SAT

**Falls Far Below Standard:**

[Fewer than 50 percent] of students participated in the ACT or SAT

The ACT and SAT are the most commonly known and used college admissions tests; they are included in the framework to indicate how well prepared students are to enter and succeed in college. Schools can impact students' level of college readiness by maintaining academic rigor and by providing challenging coursework for all students. Higher ACT and SAT scores have been associated with enrollment in advanced and AP coursework, as well as with annual enrollment (each year of high school) in math and English courses.<sup>2</sup>

Both the College Board and ACT have conducted research to understand how ACT and SAT test scores are linked to future success in college. ACT research concluded that a target composite score of 21 is the score that is correlated with a 50 percent chance of earning a B or higher or a 75 percent chance of earning a C or higher in the first year of college.<sup>3</sup> According to ACT.org, 25 percent of recent high school graduates met the benchmark in all four subjects. The composite benchmark is an average of all four subjects, so the percentage of graduates that made the composite benchmark would presumably be higher. Similar research by the College Board followed a cohort of students from high school, at the time of participation in the SAT, through college. The results showed that a composite score of 1550 indicates a 65 percent likelihood of achieving a B average or higher in the first year of college and 43 percent of recent high school graduates met the benchmark in all four subjects.<sup>4</sup>

This measure should also address student participation rates in the tests. A charter school in which a small proportion of the student body prepares for and attends college could show a high ACT or SAT result if only those college-bound students are participating in testing. In this case a school could appear to be successfully preparing students for college, when only a small cohort is actually on a college “track.” Attention to participation rates is not necessary for states or schools with mandatory participation in the SAT or ACT.

Though most authorizers have access to either ACT or SAT test results, there are potential issues with the quality and completeness of ACT and SAT data. Authorizers should consider whether multiple test results for a single student are included in data files. If ACT and SAT results are available, it may be a challenge to merge data sources to determine how many students have taken either of the tests. Additionally, authorizers may receive testing data from a variety of sources—testing agencies, self-report by students, or state accountability systems. The consistency and quality of the data source should be considered before targets and weights are applied to this measure. If reliable sources of ACT or SAT results are not available, authorizers may consider including other assessments administered by the state or district, such as EXPLORE or PSAT.

**Recommendation:** Include the assessment with the highest participation rate and highest quality access to results. Consider tests such as EXPLORE or PSAT if ACT and SAT are not available.

<sup>2</sup> Tuttle, T. (2004). *High school curriculum, diplomas, and SAT scores. Indiana Project on Academic Success.* Available: [www.indiana.edu/~ipas1/documents/hoosierbrief1.pdf](http://www.indiana.edu/~ipas1/documents/hoosierbrief1.pdf)

Jackson, K. (2008). *Cash for test scores: The impact of the Texas advanced placement incentive program.* Education Next. Available: [educationnext.org/cash-for-test-scores/](http://educationnext.org/cash-for-test-scores/)

Wang, X. and Pennington, J. (2010). *Impact of High School Students' Coursework on their ACT Scores.* Iowa Department of Education, Intersect Working Paper. Available: [educateiowa.gov/index.php?option=com\\_docman&Itemid=4435](http://educateiowa.gov/index.php?option=com_docman&Itemid=4435)

<sup>3</sup> ACT. (2011). *The Condition of College & Career Readiness 2011.* Available: [www.act.org/research/policymakers/cccr11/notes.html](http://www.act.org/research/policymakers/cccr11/notes.html)

<sup>4</sup> College Board. (2011). *SAT Benchmarks: Development of a College Readiness Benchmark and its Relationship to Secondary and Postsecondary School Performance.* Available: <http://professionals.collegeboard.com/profdownload/RR2011-5.pdf>

### Setting targets for ACT and SAT test results

Targets should be aligned with national benchmarks for college success (see above) as opposed to state averages. Charter schools should focus on proven indicators of post-secondary success. State average SAT or ACT results provide a comparison to national benchmarks but do not necessarily provide goals that indicate high levels of attainment.

### High School Graduation Rates

| Measure 4b<br>Are students graduating from high school?   |
|---|
| <p><b>Exceeds Standard:</b></p> <input type="checkbox"/> [At least 90 percent] of students graduated from high school           |
| <p><b>Meets Standard:</b></p> <input type="checkbox"/> [80–89 percent] of students graduated from high school                   |
| <p><b>Does Not Meet Standard:</b></p> <input type="checkbox"/> [70–79 percent] of students graduated from high school           |
| <p><b>Falls Far Below Standard:</b></p> <input type="checkbox"/> [Fewer than 70 percent] of students graduated from high school |

An important measure of charter high school success is graduation rate. Are charter schools keeping students engaged in the education process and helping them to successfully finish high school? Most states have adopted, or are in the process of adopting, the National Governors' Association (NGA)<sup>5</sup> method of calculating graduation rate, which measures the percentage of entering ninth graders who graduate from high school within four years. NACSA recommends that authorizers use the NGA four-year cohort method to calculate graduation rates for this Academic Performance Framework. In cases where states are changing methodologies for calculating graduation rates, there may be delays in accessing data from state accountability systems. Authorizers should pay close attention to the reporting methods and data quality of graduation rate reports.

**Recommendation:** Use the NGA four-year cohort method and set targets based on authorizer standards of quality, as opposed to current state or district average graduation rates.

### Setting targets for graduation rate

Factors to consider in setting targets for graduation rate:

- Is a four-year cohort graduation rate available for charter high schools? If not, can schools or authorizers calculate or request this rate?
- What are the goals for charter school graduate attendance to college or university? Graduation rates should meet or exceed these targets.

<sup>5</sup> [www.NGA.org](http://www.NGA.org)

## Enrollment in Post-Secondary Institutions

### Measure 4c

Are high school graduates enrolled in post-secondary institutions in the fall following graduation?

#### **Exceeds Standard:**

[At least 90 percent] of high school graduates were enrolled in post-secondary institutions in the fall following graduation

#### **Meets Standard:**

[70–89 percent] of high school graduates were enrolled in post-secondary institutions in the fall following graduation

#### **Does Not Meet Standard:**

[50–69 percent] of high school graduates were enrolled in post-secondary institutions in the fall following graduation

#### **Falls Far Below Standard:**

[Fewer than 50 percent] of high school graduates were enrolled in post-secondary institutions in the fall following graduation

The Bureau of Labor Statistics reported that nearly 70 percent of the class of 2010 enrolled in college in the fall of 2010.<sup>6</sup> College or university attendance is an important indicator of academic success for graduates of all charter schools, but especially college prep charter schools. However, it can prove a challenge for charter school authorizers to access college attendance data. Although there is increasing national attention on the importance of robust data sources for post-secondary success measures, data access is currently limited for most authorizers. Authorizers may employ a number of approaches to collect college attendance data:

- Access state financial-aid systems or existing State Education Agency data systems using a unique student identification number
- Identify private or subscription-based sources of information such as National Student Clearinghouse
- Encourage state efforts to initiate or expand and standardize collection of post-secondary outcomes
- Conduct, or require schools to conduct, surveys of their graduates

Authorizers with strong access to data on post-secondary enrollment may consider adding a measure of persistence, tracking what percentage of charter high school graduates remain enrolled in college or university in the second year after high school graduation.

**Recommendation:** Authorizers should pursue sources of post-secondary enrollment data as a strong measure of post-secondary success.

### Setting targets for post-secondary enrollment

- How do charter post-secondary enrollment rates compare to state and national averages?
- What is the authorizer's goal for charter school graduate post-secondary attendance?

### For more information on recommended state initiatives to collect post-secondary data, see:

Schramm, J. B. and Zalesne, E. K. (2011). Seizing the Measurement Moment: Why Now is the Time for States to Help High Schools Get the Postsecondary Data They Need and Want. College Summit. Available at: [www.collegesummit.org/images/uploads/CollegeSummitWhitePaper2011.pdf](http://www.collegesummit.org/images/uploads/CollegeSummitWhitePaper2011.pdf)

<sup>6</sup> BLS News Release. 4/8/2011. [www.bls.gov/news.release/pdf/hsgec.pdf](http://www.bls.gov/news.release/pdf/hsgec.pdf)

## Post-Graduation Employment

### Measure 4d

Are high school graduates who did not enroll in post-secondary institutions after graduation employed in the fall following graduation (including military service)?

#### **Exceeds Standard:**

[At least 90 percent] of high school graduates who did not enroll in post-secondary institutions after graduation were employed in the fall following graduation

#### **Meets Standard:**

[70–89 percent] of high school graduates who did not enroll in post-secondary institutions after graduation were employed in the fall following graduation

#### **Does Not Meet Standard:**

[50–69 percent] of high school graduates who did not enroll in post-secondary institutions after graduation were employed in the fall following graduation

#### **Falls Far Below Standard:**

[Fewer than 50 percent] of high school graduates who did not enroll in post-secondary institutions after graduation were employed in the fall following graduation

The Bureau of Labor Statistics reported that more than 75 percent of the class of 2010 high school graduates who did not attend college was employed in the fall following graduation.<sup>7</sup> Although data for this indicator may not currently be available to most authorizers, post-graduate employment is an important indicator of post-secondary success for charter school graduates who do not go on to college. For vocational schools, post-secondary employment holds even greater importance as an indicator of educational success. Authorizers may encourage or require charter schools to follow up with or survey graduates to determine employment status. Authorizers may also support state or district efforts to track post-secondary employment.

**Recommendation:** Authorizers should pursue sources of post-graduation employment data as a strong measure of post-secondary success.

### Setting targets for post-secondary employment

Authorizers should review both national and state post-secondary employment rates. Local employment conditions should be evaluated as well.

<sup>7</sup> BLS News Release. 4/8/2011. [www.bls.gov/news.release/pdf/hsgec.pdf](http://www.bls.gov/news.release/pdf/hsgec.pdf)

## Remediation Rate

### Measure 4e

Are high school graduates adequately prepared for post-secondary academic success?

#### **Exceeds Standard:**

School remediation rate for graduates attending post-secondary institutions [was 15 percentage points or more below the statewide remediation rate]

#### **Meets Standard:**

School remediation rate for graduates attending post-secondary institutions [met or fell below the statewide remediation rate by up to 15 percentage points]

#### **Does Not Meet Standard:**

School remediation rate for graduates attending post-secondary institutions [was up to 15 percentage points above the statewide remediation rate]

#### **Falls Far Below Standard:**

School remediation rate for graduates attending post-secondary institutions [was 15 percentage points or more above the statewide remediation rate]

Many high school graduates arrive at colleges and universities ill prepared for the rigor of post-secondary coursework and require remedial coursework in math, reading, and writing. The methods for identifying students for remedial coursework vary from state to state and can rely on ACT scores, high school GPA, college entrance exams, or other state-specific factors. Nationwide, remediation rates are quite high, with estimates of the proportion of students requiring at least one remedial class ranging from a quarter to a third of all college freshmen.<sup>8</sup>

**Recommendation:** Pursue sources of remediation rates for charter school graduates. Consider whether methods for identifying students for remediation duplicate other measures in the framework, such as ACT scores.

### Setting targets for post-secondary remediation

Factors to consider in setting targets for post-secondary remediation:

- How are students identified for remediation in the state? Does the method of identification duplicate any of the framework measures, such as ACT score?
- What are state average remediation rates?
- What are authorizer goals for remediation rates for charter school graduates?

<sup>8</sup> Available for download at [www.americanprogress.org/issues/2009/01/academic\\_preparation.html](http://www.americanprogress.org/issues/2009/01/academic_preparation.html)

## Indicator 5: Mission-Specific Academic Goals

A charter school and the authorizer may want to add measures, in addition to those included in the first four indicators, that capture the school's accomplishment of its specific mission, where applicable. Mission-specific goals may be considered in cases where schools have goals for student achievement that are not captured by the existing framework measures, and authorizers should expect schools with unique outcome-oriented missions not captured by traditional measures (e.g., dual language, performing arts) to develop mission-specific goals. Mission-specific goals are particularly important for alternative schools or programs (see section **Considerations for Alternative Schools/Programs**). Mission-specific goals should be measurable and should encompass academic performance outcomes. While authorizers may want to track such input measures as teacher retention or parent satisfaction, these types of measures should not be included in the Academic Performance Framework, which is designed to evaluate student academic outcomes and measures of academic performance. In addition, mission-specific goals should measure and demonstrate learning and achievement, not merely participation rates or effort. Ultimately, mission-specific goals should also not be used to reduce or lower expectations for charter schools.

### Mission-Specific Academic Goals

| Measure 5a<br>Is the school meeting mission-specific academic goals?   |
|--|
| <p><b>Exceeds Standard:</b></p> <input type="checkbox"/> School surpassed its mission-specific academic goal(s)              |
| <p><b>Meets Standard:</b></p> <input type="checkbox"/> School met its mission-specific academic goal(s)                      |
| <p><b>Does Not Meet Standard:</b></p> <input type="checkbox"/> School did not meet its mission-specific academic goal(s)     |
| <p><b>Falls Far Below Standard:</b></p> <input type="checkbox"/> School fell far below its mission-specific academic goal(s) |

Examples of mission-specific school goals include:

- A foreign-language school measuring language proficiency through a reliable assessment tool
- A college-preparatory academy measuring growth in percentage of students passing AP/IB tests
- A school that enrolls students for short periods of time (e.g., students transitioning to foster care) measuring weekly growth in reading and math on a school-administered assessment

Authorizers will need to determine whether to include mission-specific goals in their Academic Performance Framework, based on an assessment of the appropriateness and feasibility of assessing mission-specific measures. Mission-specific measures are most likely to work when schools can purchase already developed, off-the-shelf assessments or when measurement of an outcome is relatively straightforward. While experience suggests that some schools have faced significant challenges in developing their own measures that meet common tests of reliability and validity, authorizers can make the process easier by encouraging schools to consider two things: 1) Focus on developing one or two strong mission-specific goals rather than a large number, and

2) Consult national educational or professional organizations or networks, as well as colleges and universities, for standards and goals. Standards exist in areas ranging from arts to leadership to environmental science, and schools should not re-invent the wheel. The process of establishing and approving mission-specific goals is complex and beyond the scope of this guidance document.

**For a how-to resource on this topic, see:**

Lin, Margaret Y. (Central Michigan University: Center for Charter Schools: 2008). *Making the Mission Matter: Charting a Map to School Mission Success*. Accessed at [www.shopnationalcharterschools.org/Products/Making-the-Mission-Matter\\_BK\\_MtMM.aspx](http://www.shopnationalcharterschools.org/Products/Making-the-Mission-Matter_BK_MtMM.aspx).

## Considerations for Alternative Schools/Programs

Authorizers can use the Academic Performance Framework measures to address schools that serve highly specialized populations or schools that are defined as alternative. However, authorizers will need to modify their standard frameworks to better fit alternative schools/programs. Authorizers should modify frameworks only for schools that are officially designated or clearly identifiable as alternative (e.g., state laws define alternative schools/programs as schools that serve a specific threshold of special populations such as drop-out recovery youth, adjudicated youth, or students who qualify for special-education services). If a state definition does not exist, authorizers should develop a definition and adopt it into policy to ensure that only truly alternative schools are eligible for a modified Performance Framework. The definition should not include socioeconomic status or minority students, as these are not appropriate categories for defining alternative schools or programs.

Authorizers may choose to modify the framework in the following ways:

- **Add additional, measurable, mission-specific goals.** Schools may implement an alternative assessment that the authorizer can use to evaluate the school's performance against expectations that are closely aligned with the mission of the school. If reliable, measurable data can be collected using district or state information systems, authorizers and schools may also agree upon additional program or mission-specific measures to assess performance, such as an increase in school attendance rates from students' rates at their previous schools or a reduction in rates of in- or out-of-school suspension. These measures may also focus on student engagement and career readiness, which are often important goals of alternative schools and programs.
- **Adjust the weighing structure.** Authorizers will almost certainly need to modify their weighting scheme for alternative schools or programs. Authorizers may place more weight on mission-specific measures, particularly for schools for which the state accountability system cannot calculate a rating (e.g., schools with incredibly high turnover and/or very small numbers of students tested). Authorizers may also place greater emphasis on performance against growth measures, since a greater number of students may be far below grade level. A challenge with increased weight on growth is that for many schools in this category, student retention is a challenge, making the pool of students that authorizers are able to measure significantly smaller.
- **Add measures of nationally normed assessments to get additional information on growth.** To apply a growth model to alternative schools (or to look for a more robust model), authorizers may choose to require a nationally normed assessment that measures growth, especially for high schools. Many of these assessments, such as Northwestern Evaluation Association's Measures of Academic Progress (NWEA

MAP), Scantron, or Acuity can be taken multiple times within a year, allowing the school to capture growth for students who may be in the school for only a short time. These measures should be used in addition to any state growth model in place.

- **Maintain standards for post-secondary/career readiness.** Post-secondary measures may need to be adjusted to provide greater weight on certain measures such as post-secondary employment, but the framework should maintain expectations of post-secondary readiness and success should students choose to enroll in post-secondary institutions. As mentioned earlier, it is important to maintain high standards for performance, a central principle in NACSA's *Principles & Standards for Quality Charter School Authorizing* (2012). The authorizer might also consider adding measures such as credit completion, dropout rate, average daily attendance, career certification, and truancy for alternative schools or programs.

## Testing/Trial Run

Once the measures and targets for the authorizer-specific framework have been developed, but prior to adoption by the authorizing entity, a trial run should be conducted, testing the framework against actual charter school performance data. Depending on the number of schools and the office's capacity, an authorizer may decide to look at all charter schools, a subset of charter schools showing a range of performance, or only those schools up for renewal in the next review cycle. The trial run is instrumental in:

- **Confirming the availability of necessary data elements for measures across the framework.** An authorizer may find that special data requests must be submitted to state data systems or may find that certain metrics cannot be constructed using available data. There may be quality or reporting issues with certain elements that may not be revealed until an analysis is carried out.
- **Testing the validity of measures and targets.** Through a trial run, an authorizer may find that targets set in the first draft of the framework are too rigorous or too lax when held against both charter school performance and performance of comparable schools across the state. Combined with knowledge of individual charter schools gained through previous analyses, authorizers may gauge whether measures and targets are accurately assessing quality. Likewise, the trial run may reveal strengths or weaknesses in charter performance that warrant extra attention in the framework. If, for example, the trial run shows that there are subgroups within schools that are lagging far behind, an authorizer may wish to increase or strengthen the measures within the framework that focus attention on subgroup performance and growth.
- **Reviewing weighting decisions and overall weighting schemes.** In adopting the framework, authorizers need to make decisions about how to weight individual measures. The trial run allows for a review of the weighting system. An authorizer may see in a trial run, for example, that available growth measures are weak and should be given lower weight in the overall framework. See the [Weighting the Framework](#) section for more information on weighting.
- **Providing an accurate estimate of the time and resources required to complete the framework for charter schools.** Annual analysis of charter schools against the framework requires resources. Authorizers need to assess their ability to perform analyses internally, contract with outside organizations, or request specific measures from state accountability or data offices.

## Academic Data

The following data elements are needed to complete the Academic Framework Analysis:

- Growth measures for charter schools, and possibly all schools in the state, where available
- Subgroup or current non-proficient student growth measures for charter schools, and possibly all schools in the state, where available
- Overall proficiency rates for all schools in the state
- District and state average proficiency rates
- District and state average proficiency rates for Free or Reduced-price Lunch (FRL), English Language Learners (ELL), and special education students (SPED), as well as for students in any other relevant subgroups
- Subgroup proficiency rates for FRL, ELL, and SPED students, as well as for students in any other relevant subgroups, for all schools in the state, where eligible subgroups exist
- FRL, ELL, and SPED enrollment, as well as enrollment for other relevant subgroups, for all schools in the state (used for similar schools' selection, if applicable)
- SAT results and participation rates, where available
- ACT results and participation rates, where available
- Graduation rate
- College attendance and persistence rates, where available
- Remediation rates for charter school graduates enrolled in post-secondary institutions, where available
- Student-level assessment data, if available (needed only if growth measures are calculated by the authorizer)
- Data for mission-specific goals, where applicable

The consistent, annual collection, analysis, and presentation of academic performance data help to ensure that all charter schools are held to high standards. A rigorously constructed Academic Performance Framework gives authorizers a vehicle to communicate expectations, monitor performance, and exercise oversight.

## Considerations for Using the Core Academic Performance Framework

Once all of the components of the Academic Performance Framework are finalized, authorizers must decide how to summarize, view, and present the results. These decisions may differ depending upon the intended use of the framework. Broadly speaking, authorizers use academic performance data for three purposes (see the **Use of the Core Performance Framework** section for additional information):

- Annual or other periodic reviews
- Public reporting
- High-stakes decisions

Authorizers use academic performance information to make internal decisions about how to treat each school both at the time of renewal and periodically during the school's charter term. For example, an authorizer may reward excellent schools with more autonomy, recognition, funding, or the chance to expand. It may flag other schools for review because of evidence of performance challenges. And, of course, it will use performance data to make high-stakes decisions about renewal and revocation of charters.<sup>9</sup> Authorizers also use performance data for public reporting to various stakeholders, such as schools, policymakers, students and families, and the public.

<sup>9</sup> In order to comply with the federal government's Charter Schools Program (CSP) assurances, State Education Agencies (SEAs) must ensure that they have state law, regulations, or other policies that direct authorized public charter agencies to use increases in student academic achievement for all groups of students described in section 1111(b)(2)(C)(v) of the Elementary and Secondary Education Act (ESEA) as the most important factor when determining to renew or revoke a school's charter. Non-SEA authorizers should work with their SEAs to ensure that the SEA complies with this and other CSP assurances. The CSP assurances can be accessed at <https://www2.ed.gov/programs/charter/2011/application-package.pdf>.

## Aggregating the Framework

For each of the framework uses, authorizers must come to some overall conclusion about school quality by aggregating the results of the Academic Performance Framework, whether mathematically or through an internal “gut decision.” While the “gut decision” may leave the authorizer more room for discretion, it also limits transparency and could lead to inconsistent evaluations of schools. Authorizers should calculate a final grade or score that leads to certain predictable decisions and potential consequences that could help an authorizer make more objective, data-driven decisions that are consistent across schools, across time, and across personnel in the authorizing office. It also gives transparency to schools regarding how the authorizer makes decisions; and a clear, quantitative threshold for schools that will be considered for non-renewal or closure may make it more feasible politically for some authorizers to non-renew or close schools.

However, the final grade or score does not have to tie an authorizer’s hands when it comes to decision making. An authorizer can use ratings to identify a school for certain consequences, and then make a judgment about how to apply the consequences. Performance is complex and multifaceted, and authorizers should not assume that their calculations will give them a perfect answer in every situation; however, the calculation should give an authorizer a meaningful recommendation regarding a school’s performance status to which the authorizer can then apply professional judgment. For example, an authorizer could use a summary rating to identify schools for potential non-renewal; schools receiving a score of less than 70 on a 100-point scale, for example, might be flagged for potential non-renewal. But that flag triggers another set of reviews and scrutiny that informs the decision. This kind of two-step process can give authorizers “the best of both worlds”: a transparent, data-driven method of placing schools in different categories of reward, review, or consequence, and the ability to exercise judgment.

Currently, many states calculate an overall school grade or score for all schools, including Florida (letter grade), Massachusetts (Composite Index Score, or CPI), and California (Academic Performance Index, or API). The District of Columbia Public Charter School Board recently released its report card for charter schools, which clearly shows how each school performs on each of its framework measures and assigns an overall rating.<sup>10</sup> Charter schools in New York City<sup>11</sup> and Chicago receive an overall score and rating based on the Performance Frameworks adopted by those cities for all schools in the district.

When authorizers calculate a final overall rating for each school, the overall rating may take the form of a letter grade, a number score, or a category. The table below shows two options: letter grades and color-coded categories. Another possibility would be to sort schools into performance categories based on their results, such as “School of Excellence” or “School Under Review.”

<sup>10</sup> DC Public Charter School Board progress reports may be viewed online at <http://www.dcpubliccharter.com/PCSB-Publications/PMF-Results.aspx>

<sup>11</sup> NYC Department of Education school progress reports may be viewed online at <http://schools.nyc.gov/Accountability/tools/report/default.htm#FindPR>

## Sample Aggregated View of School Data

|          | State Accountability   | Growth                         |                           |                    | Status         |                        |                               |                               | Post-Secondary Readiness (High Schools Only) |                    |                   |               |                | State Grade | Performance Framework Rating |                     |
|----------|------------------------|--------------------------------|---------------------------|--------------------|----------------|------------------------|-------------------------------|-------------------------------|--|--------------------|-------------------|---------------|----------------|-------------|------------------------------|---------------------|
|          | 1 State Accountability | 2a Criterion-Referenced Growth | 2b Norm-Referenced Growth | 2c Subgroup Growth | 3a Proficiency | 3b Subgroup Comparison | 3c Similar Schools Comparison | 3d Student Options Comparison | 4a ACT/SAT                                   | 4b Graduation Rate | 4c Post-Secondary | 4d Employment | 4e Remediation |             |                              | 5a Mission-Specific |
| School 1 | E                      | D                              | M                         | D                  | E              | E                      | E                             | E                             | M  | M                  | M                 | M             | D              | M           | A                            | M                   |
| School 2 | D                      | M                              | M                         | M                  | D              | D                      | F                             | D                             | -  | -                  | -                 | -             | -              | D           | C                            | D                   |
| School 3 | M                      | E                              | E                         | E                  | D              | M                      | M                             | E                             | -  | -                  | -                 | -             | -              | M           | B                            | M                   |
| School 4 | D                      | F                              | F                         | F                  | F              | F                      | D                             | F                             | -  | -                  | -                 | -             | -              | D           | F                            | F                   |

|          |                  |          |                |          |                        |          |                          |
|----------|------------------|----------|----------------|----------|------------------------|----------|--------------------------|
| <b>E</b> | Exceeds Standard | <b>M</b> | Meets Standard | <b>D</b> | Does Not Meet Standard | <b>F</b> | Falls Far Below Standard |
|----------|------------------|----------|----------------|----------|------------------------|----------|--------------------------|

## Weighting the Framework

In order to aggregate the Performance Framework measures to an overall score or rating, authorizers must consider a system for assigning weight to each of the framework's measures. Of particular interest and national debate is how to weight growth versus proficiency in assessing schools. Colorado charter schools are assessed under a state accountability model that gives growth three times the weight of achievement (proficiency), while the state of Louisiana bases its school grades mainly on proficiency, with growth represented by a "+" or "-" based on whether schools met growth targets. As states develop and implement more sophisticated models for calculating student growth, authorizers using these data may wish to give them more importance in assessing charter school performance. In considering how to weight each measure, the relative strength of state assessments and growth measures should be taken into consideration. The weighting scheme below provides one example of "scoring" the framework (individual and specific measures will differ by authorizer and framework). It is critical that authorizers thoughtfully develop their own weighting schemes, considering the strength of various measures and data points, values as an authorizer, and other contextual factors.

**Sample Weighting Scheme (to be customized by each authorizer)**

| Measure  | Weight—<br>Elementary and Middle | Weight—<br>High Schools |
|--|----------------------------------|-------------------------|
| 1 State/Federal Accountability                                 | 5%                               | 5%                      |
| 2a Growth (Criterion-referenced)                               | 15%                              | 10%                     |
| 2b Growth (Norm-referenced)                                    | 15%                              | 10%                     |
| 2c Subgroup Growth   | 15%                              | 10%                     |
| 3a Overall Proficiency   | 15%                              | 7.5%                    |
| 3b Subgroup Proficiency  | 10%                              | 7.5%                    |
| 3c Proficiency Comparison: Schools Serving Similar Populations | 10%                              | 7.5%                    |
| 3d Proficiency Comparison: Student Options                     | 10%                              | 7.5%                    |
| 5 Mission-specific Academic                                    | 5%                               | 5%                      |
| <b>For High Schools:</b>                                       |                                  |                         |
| 4a SAT/ACT   | NA                               | 6%                      |
| 4b Graduation rate   | NA                               | 6%                      |
| 4c Post-secondary Attendance                                   | NA                               | 6%                      |
| 4d Post-secondary Employment                                   | NA                               | 6%                      |
| 4e Post-secondary Remediation                                  | NA                               | 6%                      |

**Calculating an Overall Score or Rating**

When calculating an overall score or rating, authorizers should apply weights in such a way that the calculation is sensitive to schools that may be just above or just below a threshold for a rating category for an individual measure. For example, if an authorizer has two schools in the “Does Not Meet” category for the growth measure, one of which is one point below the “Meets” threshold and one of which is 10 points below the “Meets” threshold, the authorizer should ensure that these two schools do not receive the same number of points in the weighting scheme.

In order for the weighting calculation to be sensitive to these differences, authorizers should assign points based on the underlying metric. Below is an example of how an authorizer could calculate two schools' points for the target categories commonly used for student growth percentiles, using the recommended most sensitive method.

## Sample Weighting Calculation

| Measure 2b<br>Are schools making adequate growth based on the school's median Student Growth Percentile (SGP)? |
|--|
| <p><b>Exceeds Standard:</b></p> <input type="checkbox"/> The median SGP of the school is 65 or higher          |
| <p><b>Meets Standard:</b></p> <input type="checkbox"/> The median SGP of the school is from 50–64              |
| <p><b>Does Not Meet Standard:</b></p> <input type="checkbox"/> The median SGP of the school is from 35–49      |
| <p><b>Falls Far Below Standard:</b></p> <input type="checkbox"/> The median SGP of the school is below 35      |

Assume that the authorizer wants to use a 100 overall point scale for this measure, giving even overall points breakdowns to each of the four ratings categories: 76–100 points for “Exceeds,” 51–75 points for “Meets,” 26–50 points for “Does Not Meet,” and 0–25 points for “Falls Far Below.” However, the percentile ranges for each category do not fall into such neat 25 point groupings. Instead, the range of percentile points for “Exceeds” is 36 (100-65+1 [adding one because the range is inclusive of 65]), “Meets” is 15 (64-50+1), “Does Not Meet” is 15 (49-35+1), and “Falls Far Below” is 34 (34-1+1). See table below:

| Rating                   | Possible Overall | Percentile Targets | Percentile Points |
|--------------------------|------------------|--------------------|-------------------|
| Exceeds Standard         | 76–100           | 65-100             | 36                |
| Meets Standard           | 51–75            | 50-64              | 15                |
| Does Not Meet Standard   | 26–50            | 35-49              | 15                |
| Falls Far Below Standard | 0–25             | 1-34               | 34                |

Now assume that the authorizer has two schools, School One and School Two. School One has a median Student Growth Percentile (SGP) of 46, and School Two has a median SGP of 37, both of which would fall into the “Does Not Meet” category.

**School One would receive 45 overall points for this measure, based on the calculation below:**

School One received  $46-35+1$  (add one because the range is inclusive of 35)=12 percentile points in the range. This is 80 percent of the possible percentile points in the range (12/15), which means that the school receives 80 percent of the 25 possible overall points in this target range, 20 points. The school also received all 25 of the points available in the “Falls Far Below” category (because it covered the whole 1–34 percentile point range), so School One earns a total of 45 overall points on this measure.

**School Two would receive 30 overall points for this measure, based on the calculation below:**

School Two received  $37-35+1$  (add one because the range is inclusive of 35)=3 percentile points in the range. This is 20 percent of the possible percentile points in the range (3/15), which means that the school receives 20 percent of the 25 possible overall points in this target range, 5 points. The school also received all 25 of the points available in the “Falls Far Below” category (because it covered the whole 1–34 percentile point range), so School One earns a total of 30 overall points on this measure.

Thus, School One, which scored near the top of the “Does Not Meet” range, earned 45 points; and School Two, which scored near the bottom of the “Does Not Meet” range, earned 30 points, demonstrating the schools’ differences, despite their same ratings. Though this calculation may seem a bit complicated, it gives great sensitivity to the weighting scheme. Imagine if any school that received a “Does Not Meet” rating on an individual measure received 50 points. School One and School Two both would have received 50 points, though it is obvious that the two schools’ performances are quite different. Authorizers must make sophisticated decisions about whether to renew a school or revoke its charter, and they may need sophisticated calculations to aid in these decisions.

The final step is for authorizers to determine the total points ranges for a final rating of “Exceeds,” “Meets,” “Does Not Meet,” or “Falls Far Below” standards. The following is an example of final rating targets:

| Overall Rating           | Point Range            |
|--------------------------|------------------------|
| Exceeds Standard         | > or = to 89           |
| Meets Standard           | < 89, but > or = to 63 |
| Does Not Meet Standard   | < 63, but > or = to 39 |
| Falls Far Below Standard | < 39                   |

Authorizers will need to be thoughtful in determining which targets they will ultimately use, keeping in mind that the final ratings will provide an initial recommendation to consider a school for recognition, intervention, renewal, non-renewal, or revocation but that the authorizer ultimately maintains discretion in making final decisions.

## Conclusion

The creation and implementation of an Academic Performance Framework requires consideration of a number of factors on the part of the authorizer, including what data is available, the quality of the data, what information will support authorizers in making high-stakes decisions, and how multiple measures of academic performance ultimately impact high-stakes decisions. However, the work of developing a strong framework is critical for setting clear expectations for schools and for making high-stakes decisions more clear-cut and transparent. The work on the front end necessary to develop a rigorous framework will pay off on the back end with stronger accountability, easier decision making, and, in the longer term, a higher-quality charter school portfolio.



# Core Financial Performance Framework Guidance

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## Core Financial Performance Framework Guidance


The Core Financial Performance Framework is intended as a starting point for authorizers to adapt to evaluate charter schools' financial performance as part of ongoing monitoring and renewal decision making. Charter schools have the autonomy to manage their finances consistent with state and federal law; however, authorizers must ensure that the schools they authorize are financially stable. Authorizers, by renewing or not renewing a charter school, determine whether that school is not only academically and organizationally sound, but also financially viable.

The Financial Performance Framework provides authorizers tools to recognize schools currently in or trending towards financial difficulty and to more proactively evaluate or address the problem. The guidance aligns with NACSA's *Principles & Standards for Quality Charter School Authorizing* (2012), which states that authorizers should, through a Performance Framework, set clear expectations for "financial performance and sustainability."<sup>12</sup>

The Financial Performance Framework was derived through a review of model authorizer practices, charter school lender guidance, and expertise in the field. While the framework does not specifically mirror any single source, it was created to provide a clear picture of a school's past financial performance, current financial health, and potential financial trajectory.

### Framework Structure

The Financial Performance Framework gauges both near-term financial health and longer-term financial sustainability. The framework includes five main levels of information: Indicators, Measures, Metrics, Targets, and Ratings.

| Component         | Definition  | Example   |
|-------------------|---|---|
| <b>Indicators</b> | General categories of financial performance   | Near Term   |
| <b>Measures</b>   | General means to evaluate an aspect of an indicator   | Current Ratio   |
| <b>Metrics</b>    | Method of quantifying a measure   | Current ratio is the school's current liabilities over current assets     |
| <b>Targets</b>    | Thresholds that signify success in meeting the standard for a specific measure<br> | Current ratio greater than 1.1  |
| <b>Ratings</b>    | Assignment of charter school performance into one of three rating categories, based on how the school performs against the framework targets                          | If school meets the target of 1.1 the rating category is "Meets Standard" |

<sup>12</sup> *Principles & Standards for Quality Charter School Authorizing*. National Association of Charter School Authorizers, (2012).

## Indicators

The Financial Performance Framework includes two indicators, or general categories, used to evaluate schools' financial performance.

### 1. Near-Term

The portion of the framework that tests a school's near-term financial health is designed to depict the school's financial position and viability in the upcoming year. Schools meeting the desired standards demonstrate a low risk of financial distress in the coming year. Schools that fail to meet the standards may currently be experiencing financial difficulties and/or are at high risk for financial hardship in the near term. These schools may require additional review and immediate corrective action on the part of the authorizer.

### 2. Sustainability

The framework also includes longer-term financial sustainability measures and is designed to depict a school's financial position and viability over time. Schools that meet the desired standards demonstrate a low risk of financial distress in the future. Schools that fail to meet the standards may be at high risk for financial hardship in the future.

## Measures

Measures are the means to evaluate an aspect of an indicator. Eight measures are used in the framework: Current Ratio, Unrestricted Days Cash, Enrollment Variance, Debt Default, Total Margin, Debt to Asset Ratio, Cash Flow, and Debt Service Coverage Ratio.

## Metrics

Metrics are the methods for calculating measures. An example of a metric is Current Ratio equals Current Assets divided by Current Liabilities. Each metric is detailed in the [Measures in Detail](#) section of this guidance.

## Targets

Targets are the thresholds that signify success for a specific measure. An example of a target is "Current Ratio is greater than 1.1." Each target and formula is detailed in the Financial Performance Framework. The basis for forming many of the targets is industry standard, which is the commonly accepted target level for the ratio in financial analysis. Differences in the charter school financing and funding environment have been considered and included in alterations from industry standard, where necessary.

## Ratings

For each measure a school receives one of three ratings based on evaluation of the established metrics:<sup>13</sup>

### *Meets Standard:*

The school's performance on this component does not signal a financial risk to the school and meets the authorizer's standard. A school that meets the standard based on an initial review requires no follow-up action by the authorizer. For the purposes of annual reporting and high-stakes decision making, an authorizer may also give a "Meets Standard" rating to schools that did not meet standards on the initial review of their financials if, upon follow-up review, the authorizer concludes that concerns initially raised have been addressed and performance indicates sound financial viability.

<sup>13</sup> Similar to the Organizational Framework, the Financial Framework does not have an "Exceeds Standard" rating. Because the Financial Framework is designed to allow authorizers to determine a school's financial viability and health, the measurements do not lend themselves to identifying—nor is it applicable to categorize—schools as exceeding the standards.

*Does Not Meet Standard:*

The school's performance on this component signals a potential financial risk to the school and does not meet the authorizer's expectation. If a school does not meet standards based on an initial review of the school's financials, the authorizer should follow up to determine if the school is truly a financial risk for the purposes of annual reporting, intervention, and high-stakes decision making. Schools that are a financial risk may be eligible for notice of unsatisfactory performance, probation, or other forms of intervention. Schools that do not meet the standard across more than one area may be considered for non-renewal.

*Falls Far Below Standard:*

The school's performance on this component signals a significant financial risk to the school and does not meet the authorizer's expectation. If a school falls far below standards based on an initial review of the school's financials, the authorizer should follow up to determine the severity of the risk for the purposes of annual reporting, intervention, and high-stakes decision making. Schools that are a significant financial risk may require probation, intervention, non-renewal, or revocation.

The Financial Performance Framework is designed to be a stand-alone document that clearly identifies each school's financial standing in the context of the eight measures. However, if a school receives an initial "Does Not Meet Standard" or "Falls Far Below Standard" rating on any one measure, it may or may not be in financial distress. The Financial Performance Framework is meant to flag potential problem areas for further investigation, and it is important that authorizers follow up with schools that fall below the standard before making high-stakes decisions or publicly reporting on school performance. For this reason, authorizers may consider utilizing a two-tiered review and reporting process that incorporates a fourth rating, "Requires Further Analysis." The "Requires Further Analysis" rating would be given to a school that, upon initial review, did not meet the standard for a measure. The "Requires Further Analysis" would be granted only until the authorizer could complete a follow-up analysis of the school's financial health. Based on the follow-up analysis (see [Additional follow up](#) section for more information), the authorizer could give the school a final rating of "Meets Standard," "Does Not Meet Standard," or "Falls Far Below Standard" based on whether the school's performance on the measure indicates a financial risk based on more up-to-date and detailed financial information.

## Considerations for Using the Core Financial Performance Framework

As with the Academic and Organizational Performance Frameworks, authorizers should use the Financial Performance Framework to collect evidence of performance, to evaluate schools at least annually, to monitor schools throughout their charter terms, to report to schools and the public annually, to intervene in schools that do not meet expectations, and to make high-stakes decisions whether to renew, non-renew, or revoke a school's charter or to expand or replicate a school. See the [Use of the Core Performance Framework](#) section for additional information.

### Collecting Evidence and Evaluating Schools on the Financial Performance Framework

The Financial Performance Framework is a monitoring tool that provides authorizers with key data to assess the financial health and viability of charter schools in their portfolios and to determine whether deeper analysis or monitoring is required. The framework summarizes the charter school's current financial health while taking into account the school's financial trends over a period of three years. The measures are designed to be complementary, as no single measure gives a full picture of the financial situation of a school. Together they provide a comprehensive assessment of the school's financial health based on a school's historic trends, near-term financial situation, and future viability.

## Sources

All authorizers implementing the framework must require the charter schools they authorize to submit to an independent annual financial audit using accrual-based accounting. Cash-based audits will not provide the correct information needed for the framework. Authorizers will specifically need the following information to use the framework:

- Audited balance sheet\*
- Audited income statement\*
- Audited statement of cash flows
- Notes to the audited financial statements
- Charter school board-approved budget with enrollment targets
- Actual enrollment information
- Annual debt schedule indicating the total principal and interest due

\* Throughout this document financial statements will be referred to in the common, for-profit nomenclature. Statements reported in nonprofit or governmental audits use the following corresponding names:

| Generic (For Profit) | Nonprofit   | Governmental            |
|----------------------|---|-------------------------|
| Balance Sheet        | Statement of Financial Position                   | Statement of Net Assets |
| Income Statement     | Statement of Activities and Changes in Net Assets | Statement of Activities |

In order to effectively conduct ongoing monitoring of financial stability, authorizers should also regularly require schools to provide current financial information in addition to audited information. Examples of current data that should be collected include monthly or quarterly balance sheets and cash flow statements. See the [Ongoing Monitoring](#) section for more information. As discussed throughout this document, it is critical that authorizers do not rely only on audited financial statements especially when making high-stakes decisions, conducting ongoing monitoring, and assessing whether a school is in immediate financial distress.

### Schools that may be in immediate financial distress

Schools that fail the near-term indicators are at high risk for financial distress or closure. As such, they require additional monitoring and/or corrective action. Authorizers should determine the severity of the problem, assess changes in the school's financial performance and health since the date of the audited financial statements, and require that the school take actions to stabilize its financial position.

### Schools experiencing negative financial trends

Schools may be failing the sustainability indicators for multiple reasons. They may be trending toward financial distress, or they could have a sound rationale for failing to meet the standards in a given year. For example, a school that is otherwise financially sound could fail to meet the cash flow measure if it made a one-time large capital investment. Authorizers need to determine if the school's failure to meet the standards was a result of a one-time event or represents an underlying structural problem with the school's financial performance. To this end, authorizers should collect and analyze additional information from the school and perform more in-depth due diligence.

### Additional follow up

If a school receives two or more ratings of “Does Not Meet Standard” or one or more ratings of “Falls Far Below Standard” based on an initial analysis of the school’s audit, authorizers should conduct a more comprehensive review of the school’s finances. It is critical to conduct additional analysis before making high-stakes decisions, as information used to develop initial findings may be dated, given the lag in audited financial data, or it may not tell the whole story of the school’s financial health. Authorizers should consider requesting the following information for follow-up analysis:

- Year-to-date unaudited financial statements
- Year-to-date budget variance reports
- Updated budget projections for the remainder of the fiscal year

This information will help the authorizer to better understand the short- and long-term viability of the school. In addition, authorizers may wish to request additional information that is specific to the standard that the school failed to meet. It is important to note that any interim financial information will not be audited, and thus its accuracy is not guaranteed.

If additional information is needed regarding a school’s financial health, it may be necessary to contact the school’s auditor, who often has an ongoing relationship and/or dialogue regarding plans to address financial issues and general financial sustainability. Please note that although the auditor works closely with the school, auditors are independent and thus able to provide an unbiased evaluation of the school’s finances.

The following chart provides examples of additional information an authorizer could request as part of a comprehensive review for schools that fall below the standard. The chart includes additional information to request for the comprehensive review and what to look for in the additional data to identify signs of progress toward a more financially healthy school.

| Measure                                 | Additional Information to Request   | Look For   |
|---|---|--|
| <b>1a</b><br><b>Current Ratio</b>       | Monthly financial statements  | Monthly current ratio trending upwards   |
| <b>1b</b><br><b>Days Cash</b>           | Actual to-date cash flow and cash flow projections through the end of the fiscal year<br>Monthly financial statements | Increases in unrestricted cash and days cash on hand approaching the target<br><i>Note: It is important to review the cash flow monthly due to irregular funding streams</i> |
| <b>1c</b><br><b>Enrollment Variance</b> | Budget revised to reflect lower enrollment<br>Monthly (new) budget variance reports                                   | Budget demonstrates a net surplus and few, if any, variances are present<br><i>Note: Review that the school has adjusted staffing expenses to align with enrollment</i>      |
| <b>1d</b><br><b>Debt Default</b>        | Copies of default-related documents the school received from the lender   | Proof that the school is no longer in default, the lender has waived covenants, or the school has a plan to meet the covenants   |
| <b>2a</b><br><b>Total Margin</b>        | Revised budget<br>Monthly (new) budget variance report  | Budget demonstrates a net surplus and few, if any, variances are present   |

| Measure   | Additional Information to Request  | Look For   |
|---|--|--|
| <b>2b</b><br><b>Debt to Asset Ratio</b>         | Action plan and updated budget to increase the school's net assets<br>Monthly financial statements | Monthly Debt to Asset Ratio trending upward<br>Alignment among the action plan, budget, and financial statements |
| <b>2c</b><br><b>Cash Flow</b>                   | Actual to-date cash flow and cash flow projections through the end of the fiscal year              | Increases in cash balance over the course of the year  |
| <b>2d</b><br><b>Debt Service Coverage Ratio</b> | Revised budget<br>Monthly (new) budget variance report   | Budget demonstrates a net surplus such that the debt service coverage ratio is greater than 1.1                  |

The authorizer should:

1. Contact the school's governing board, executive director, and finance director (or similar personnel) to inform them of their school's status
2. Request up-to-date financial information from the school as the year-end framework analysis uses audited information, which requires a minimum lag time of four to six months for the audit to be finalized
3. Run the up-to-date (interim) financial information through the framework; current information may reveal steps the school has taken to mitigate any issues the framework highlighted, but it is important to note that this information has not been audited and therefore does not have the same level of credibility<sup>14</sup>
4. Inquire about the measures of concern with the executive and finance directors to identify any strategies employed to mitigate issues or strategic choices the school made with the understanding that their financial stability would be compromised for a period of time (e.g., invested in a new building through heavy debt financing in the year of concern, thus severely impacting ratings on any balance sheet measures)

Authorizers should note that when a school qualifies for an additional review it may be either in immediate distress, financially trending negatively, both, or neither. The school could have made a strategic financial decision that resulted in ratings that qualified it for additional review, but upon additional questioning has sufficient reasons for the financial results in the given year and is not in immediate distress or negative financial trending. Authorizers can often validate reasoning provided regarding large events (significant purchase, natural disaster, etc.) in the notes to the financial statements from the prior year, which indicate any significant items shortly after year end.

### Annual review and reporting

The framework is designed to assist authorizers in monitoring the financial health of a school on an ongoing basis and in making an assessment of the school's health for annual reporting purposes. Following the issuance of an annual audit, authorizers can calculate a school's initial standing on each measure and gain concise yet comprehensive insights to the school's financial standing. However, it is critical that authorizers not stop at the audit review when publishing an annual report or making high-stakes decisions for schools that do not meet standards on the initial assessment. Authorizers must conduct follow-up analysis based on the audit review to determine if a school is truly in distress. Authorizers should use this follow-up review to determine if a school deserves a "Meets Standard," "Does Not Meet Standard," or "Falls Far Below Standard" rating on its annual report based on its financial health. See the [Ratings](#) and [Additional follow up](#) sections for more information.

<sup>14</sup> Authorizers should be aware that interim financial data may be reported on an accrual, modified accrual, or cash basis, while financial audit data are reported on a full accrual basis. Results of the analysis may be different based on the reporting method and not the school's financial performance. It may be useful for the authorizer to seek guidance from the school's auditor to better understand the reporting methods used. For more information on analyzing interim financial data, see the section [Ongoing Monitoring](#).

### Authorizer capacity

Authorizers that use the Financial Performance Framework must have the capability to accurately make calculations and analyze performance results. Authorizers should have the capacity to evaluate schools' financial performance through internal staffing time and expertise, the use of consultants, or other resources. The first series of testing will be fairly time intensive due to the need to both fully understand the complexities of the audits and to collect three years of data the initial testing year. But because most audits are relatively standardized within a state and subsequent to the first year authorizers will only need to add one year of data to the testing, the resources required will decline over time. Authorizers should be prepared to annually collect the audits, as well as additional current financial data, from each charter school they authorize and use the Financial Performance Framework to run the analysis on each school. Because the indicators are calculated primarily using data gathered from audited financial statements for year-end reviews, authorizers should analyze all authorized schools on the framework annually using the most recent three years' audited financial statements, once completed and submitted by schools. Authorizers will also need to complete follow-up analysis of schools that do not meet standards to determine whether they are truly at financial risk. In addition, authorizers should be prepared to conduct regular monitoring of current financial data throughout the school year.

### Intervention

Authorizers can use the framework and additional follow-up analysis to identify schools whose financial stability is in danger and intervene. This intervention could be in the form of communication of unsatisfactory performance, increased monitoring, mid-year financial check-ins, or requests for additional testing.

For schools that are determined to be in financial distress following the comprehensive review described above, authorizers should consider requiring increased ongoing reporting to monitor continuous financial performance. In a serious situation, authorizers may consider withholding funds or moving to close or terminate the contract, although those actions are most extreme and should be employed only following other corrective actions or if the situation warrants it.

### High-Stakes Decision Making

Authorizers should use the Financial Performance Framework and additional follow-up analysis for making high-stakes decisions, including renewal, non-renewal, or revocation. However, in many cases financial performance may be secondary to academic performance or severe organizational non-compliance in building a case for non-renewal or revocation. If a school is high-performing academically but does not meet all standards for financial performance, its authorizer might determine that the school should continue operating until it comes to a point of being unable to continue quality operations. In this case, authorizers should use the evaluation of financial performance as a way to communicate unsatisfactory performance, as a basis for intervention, or as secondary evidence when making the case for closure. Only when the school falls far below the standard, which would indicate major concerns with financial viability, should an authorizer consider findings on the Financial Performance Framework as the primary reason for non-renewal or revocation. Regardless of the point in the life of the charter, whether during an interim review or at the time of renewal, schools that have multiple occurrences where they fall below the standards should be considered for non-renewal or revocation, especially if these instances indicate that the school may not have the financial resources to provide a quality program through the end of the school year.

## Ongoing Monitoring

Authorizers should conduct general monitoring of schools' finances by requiring submission of reporting on an interim basis more frequently than the annual audit. Because there is a significant lag between the school's year end and when the authorizer receives the audit, year-end Financial Performance Framework assessment is indicative of performance from at least four to six months back. Using audited financials for the comparative testing is important for data accuracy and consistency, but ongoing monitoring can assist the authorizer in identifying pressing financial concerns. The extent and frequency of this monitoring, however, should be carefully determined in order to maintain the balance between oversight and autonomy.

The most useful financial reports for the authorizer to review on a periodic (generally quarterly) basis are:

- Income statement and balance sheet showing year-to-date actual, year-to-date budget, variance, and year-end budget
- Year-to-date statement of cash flows and cash flow projection through year end

Interim reviews are key to identifying new and unresolved problems, as well as items that, due to timing of the audit, may not have triggered a review in the framework. Because a number of the measures include balance sheet figures (a snapshot of a point in time), these measures can be manipulated, intentionally or unintentionally, due to timing. For example, management may choose not to pay a large invoice before year end to inflate its cash balance, or revenue from the state may come just before year end in one year and after in another. Interim reviews will assist the authorizer in avoiding undue reliance on what might be skewed data.

Because of the potential for different bases of accounting, as well as the impact of timing on many of the measures, authorizers should be aware of potential inaccuracies of data when using the framework on an interim basis. The measures may be used to identify major discrepancies from targets, but identifying large budget variances to discuss with management can also serve as a useful, and less time-intensive, general monitoring tool.

## Measures in Detail

Each of the measures included in the Financial Performance Framework are described in the following pages. It is important to note that the framework excludes measures of how a school manages and expends its funds, as the framework is not designed to evaluate a school's spending decisions. For example, there are no measures that address what portion of a school's costs are for instruction; rather, the measures focus on the overall expenses of a school versus the offsetting revenues. Furthermore, this framework does not include indicators of strong financial management practices, which are laid out in the Organizational Performance Framework. The Financial Performance Framework analyzes the financial performance of a charter school, not its processes for managing that performance.

The targets used in the following measures are generally based on industry standards for determining a school's financial risk, and they dictate an initial rating for schools based on audited financial information. However, it is critical that authorizers not stop at the initial audit review when publishing an annual report or making high-stakes decisions for schools that do not meet standards on the initial assessment. Authorizers must conduct follow-up analysis based on the audit review to determine if a school is truly in distress. Authorizers should use this follow-up review to determine if a school deserves a "Meets Standard," "Does Not Meet Standard," or "Falls Far Below Standard" rating on its annual report based on its financial health. See the [Ratings](#) and [Additional follow up](#) sections for more information.

## Indicator 1: Near-Term Measures

### Current Ratio

**Definition:** The current ratio depicts the relationship between a school's current assets and current liabilities.

The current ratio measures a school's ability to pay its obligations over the next 12 months. A current ratio of greater than 1.0 indicates that the school's current assets exceed its current liabilities, thus indicating ability to meet current obligations. A ratio of less than 1.0 indicates that the school does not have sufficient current assets to cover the current liabilities and is not in a satisfactory position to meet its financial obligations over the next 12 months.

#### Data source

Audited balance sheet

| Measure 1a<br>Current Ratio: Current Assets divided by Current Liabilities  |
|---|
| <p><b>Meets Standard:</b></p> <p><input type="checkbox"/> Current Ratio is greater than or equal to 1.1<br/>or<br/><input type="checkbox"/> Current Ratio is between 1.0 and 1.1 and one-year trend is positive (current year ratio is higher than last year's)</p> <p><i>Note: For schools in their first or second year of operation, the current ratio must be greater than or equal to 1.1.</i></p> |
| <p><b>Does Not Meet Standard:</b></p> <p><input type="checkbox"/> Current Ratio is between 0.9 and 1.0 or equals 1.0<br/>or<br/><input type="checkbox"/> Current Ratio is between 1.0 and 1.1 and one-year trend is negative</p>  |
| <p><b>Falls Far Below Standard:</b></p> <p><input type="checkbox"/> Current ratio is less than or equal to 0.9</p>  |

#### Basis for target level

The general rule of thumb for a current ratio is that it should be a minimum of 1.0. An upward trend of a current ratio that is greater than 1.0 indicates greater financial health, hence the greater than or equal to 1.1 target to meet standard. A current ratio that is less than or equal to 0.9 is a serious financial health risk, based on common standards.

### Unrestricted Days Cash

**Definition:** The unrestricted days cash on hand ratio indicates how many days a school can pay its expenses without another inflow of cash.

The unrestricted days cash ratio tells authorizers whether or not the school has sufficient cash to meet its cash obligations. Depreciation expense is removed from the total expenses denominator because it is not a cash expense. This critical measure takes on additional importance in states and localities where the timing of school payments is irregular and/or can be delayed.

#### Data source

Audited balance sheet and income statement. Note that if cash is restricted due to legislative requirements, donor restrictions, or other reasons, the restriction should be listed in the audit.

**Measure 1b****Unrestricted Days Cash: Unrestricted Cash divided by ((Total Expenses minus Depreciation Expense) / 365)****Meets Standard:**

- 60 Days Cash
- or
- Between 30 and 60 Days Cash and one-year trend is positive

*Note: Schools in their first or second year of operation must have a minimum of 30 Days Cash.*

**Does Not Meet Standard:**

- Days Cash is between 15–30 days
- or
- Days Cash is between 30–60 days and one-year trend is negative

**Falls Far Below Standard:**

- Fewer than 15 Days Cash

**Basis for target level**

At least one month of operating expenses cash on hand is a standard minimum measure of financial health of any organization. Due to the nature of charter school cash flow and the sometimes-irregular receipts of revenue, a 60-day threshold was set for schools to meet the standard. Still, schools showing a growing cash balance from prior years and who have enough cash to pay at least one month's expenses are also financially stable enough and show positive trending, therefore meeting the standard. If a school has fewer than 15 days of cash on hand, it will not be able to operate for more than a few weeks without another cash inflow and is at high risk for immediate financial difficulties.

**Enrollment Variance**

**Definition:** Enrollment variance tells authorizers whether or not the school is meeting its enrollment projections. As enrollment is a key (often *the* key) driver of revenues, variance is important to track the sufficiency of revenues generated to fund ongoing operations.

The enrollment variance depicts actual versus projected enrollment. A school budgets based on projected enrollment but is funded based on actual enrollment; therefore, a school that fails to meet its enrollment targets may not be able to meet its budgeted expenses. Although enrollment is not the singular driver of revenues for a school, it is highly correlated at a minimum. As school budgets are generally designed to match expenses with projected revenues, a poor enrollment variance is a substantial indicator of potential financial issues. It is critical to capture this information as early in the school year as possible to determine whether an authorizer may need to take action or intervene in some way.

Schools fewer than five years old may have greater fluctuations in their enrollment numbers because they have not yet established themselves in the community. However, mature schools with large, unexplained fluctuations in enrollment numbers may be in financial distress if they are not able to adjust accordingly. Often, financially stable schools will purposefully underestimate enrollment so that they may budget more conservatively.

Many authorizers use enrollment variance as a way not only to evaluate a charter school's financial health, but also to monitor how savvy the school's board and management are at forecasting. Thus, while enrollment variance is a primary measure of financial health, it can also be seen as a secondary measure for organizational aptitude.

**Data source**

- Projected enrollment—Charter school board-approved enrollment budget for the year in question
- Actual enrollment

**Measure 1c**

**Enrollment Variance: Actual Enrollment divided by Enrollment Projection in Charter School Board-Approved Budget**

**Meets Standard:**

- Enrollment Variance equals or exceeds 95 percent in the most recent year

**Does Not Meet Standard:**

- Enrollment Variance is between 85–95 percent in the most recent year

**Falls Far Below Standard:**

- Enrollment Variance is less than 85 percent in the most recent year

**Basis for target level**

Enrollment variance of less than 85 percent indicates that a significant amount of funding on which a school set its expense budget is no longer available, and thus the school is at a significant financial risk. Schools that achieve at least 95 percent of projected enrollment generally have the operating funds necessary to meet all expenses and thus are not at a significant risk of financial distress.

**Debt Default**

**Definition:** Debt default indicates whether or not a school is meeting debt obligations or covenants.

Each authorizer can determine the exact application of this definition. Authorizers may consider a school in default only when it is not making payments on its debt, or when it is out of compliance with other requirements in its debt covenants. Additionally, a school that has exceeded the state maximum debt limit, if the limit exists, or a school that is holding employee 403b contributions to aid cash flow could be considered in default. This metric addresses whether or not a school is meeting its loan covenants and/or is delinquent with its debt service payments. A school that cannot meet the terms of its loan may be in financial distress.

**Data source**

Notes to the audited financial statements

**Measure 1d**  
**Default****Meets Standard:**

- School is not in default of loan covenant(s) and/or is not delinquent with debt service payments

**Does Not Meet Standard:**

- Not applicable

**Falls Far Below Standard:**

- School is in default of loan covenant(s) and/or is delinquent with debt service payments

**Basis for target level**

Schools that are not meeting financial obligations, either through missed payments or violations of debt covenants, are at risk of financial distress. Debt environments do vary from state to state, so authorizers should individually determine if violations of debt covenants should be considered a qualification for falling below or far below standards.

**Indicator 2: Sustainability Measures****Total Margin and Aggregated Three-Year Total Margin**

**Definition:** Total margin measures the deficit or surplus a school yields out of its total revenues; in other words, it measures whether or not the school is living within its available resources.

The total margin measures whether a school operates at a surplus (more total revenues than expenses) or a deficit (more total expenses than revenues) in a given time period. The total margin is important to track, as schools cannot operate at deficits for a sustained period of time without risk of closure. Though the intent of a school is not to make money, it is important for charters to build, rather than deplete, a reserve to support growth or sustain the school in an uncertain funding environment.

The aggregated three-year total margin is helpful for measuring the long-term financial stability of the school by smoothing the impact of single-year fluctuations on the single-year total margin indicator. The performance of the school in the most recent year, however, is indicative of the sustainability of the school, thus the school must have a positive total margin in the most recent year to meet the standard.

**Data source**

Three years of audited income statements

| Measure 2a  |
|---|
| Total Margin: Net Income divided by Total Revenue   |
| Aggregated Total Margin: Total Three-Year Net Income divided by Total Three-Year Revenues   |
| <p><b>Meets Standard:</b></p> <p><input type="checkbox"/> Aggregated Three-Year Total Margin is positive and the most recent year Total Margin is positive<br/>or<br/><input type="checkbox"/> Aggregated Three-Year Total Margin is greater than -1.5 percent, the trend is positive for the last two years, and the most recent year Total Margin is positive</p> <p><i>Note: For schools in their first or second year of operation, the cumulative Total Margin must be positive.</i></p> |
| <p><b>Does Not Meet Standard:</b></p> <p><input type="checkbox"/> Aggregated Three-Year Total Margin is greater than -1.5 percent, but trend does not “Meet Standard”</p>   |
| <p><b>Falls Far Below Standard:</b></p> <p><input type="checkbox"/> Aggregated Three-Year Total Margin is less than or equal to -1.5 percent<br/>or<br/><input type="checkbox"/> The most recent year Total Margin is less than -10 percent</p>   |

**Basis for target level**

General preference in any industry is that total margin is positive, but organizations can make strategic choices to operate at a deficit for a year for a large operating expenditure or other planned expense. The targets set allow for flexibility over a three-year timeframe in the aggregate total margin but require a positive total margin for the most recent year to meet standard. A margin in any year of less than -10 percent or an aggregate three-year total margin less than or equal to -1.5 percent is an indicator of financial risk.

**Debt to Asset Ratio**

**Definition:** The debt to asset ratio measures the amount of liabilities a school owes versus the assets they own; in other words, it measures the extent to which the school relies on borrowed funds to finance its operations.

The debt to asset ratio compares the school's liabilities to its assets. Simply put, the ratio demonstrates what a school owes against what it owns. A lower debt to asset ratio generally indicates stronger financial health.

**Data source**

Audited balance sheet

| Measure 2b<br>Debt to Asset Ratio: Total Liabilities divided by Total Assets                              |
|---|
| <p><b>Meets Standard:</b></p> <input type="checkbox"/> Debt to Asset Ratio is less than 0.9               |
| <p><b>Does Not Meet Standard:</b></p> <input type="checkbox"/> Debt to Asset Ratio is between 0.9 and 1.0 |
| <p><b>Falls Far Below Standard:</b></p> <input type="checkbox"/> Debt to Asset Ratio is greater than 1.0  |

**Basis for target level**

A debt to asset ratio greater than 1.0 is a generally accepted indicator of potential long-term financial issues, as the organization owes more than it owns, reflecting a risky financial position. A ratio less than 0.9 indicates a financially healthy balance sheet, both in the assets and liabilities, and the implied balance in the equity account.

**Cash Flow**

**Definition:** The cash flow measure indicates a school's change in cash balance from one period to another.

Cash flow indicates the trend in the school's cash balance over a period of time. This measure is similar to days cash on hand but indicates long-term stability versus near-term. Since cash flow fluctuations from year to year can have a long-term impact on a school's financial health, this metric assesses both multi-year cumulative cash flow and annual cash flow. The preferred result is greater than zero. Similar to total margin, this measure is not intended to encourage amassing resources instead of deploying them to meet the mission of the organization, but rather to provide for stability in an uncertain funding environment.

**Data source**

Three years of audited balance sheets

**Measure 2c****Cash Flow:**

**Multi-Year Cash Flow = Year 3 Total Cash – Year 1 Total Cash**

**One-Year Cash Flow = Year 2 Total Cash – Year 1 Total Cash**

**Meets Standard (in one of two ways):**

- Multi-Year Cumulative Cash Flow is positive and Cash Flow is positive each year  
or  
 Multi-Year Cumulative Cash Flow is positive, Cash Flow is positive in one of two years, and Cash Flow in the most recent year is positive

*Note: Schools in their first or second year of operation must have positive cash flow.*

**Does Not Meet Standard:**

- Multi-Year Cumulative Cash Flow is positive, but trend does not “Meet Standard”

**Falls Far Below Standard:**

- Multi-Year Cumulative Cash Flow is negative

**Basis for target level**

A positive cash flow over time generally indicates increasing financial health and sustainability of a charter school.

**Debt Service Coverage Ratio**

**Definition:** The debt service coverage ratio indicates a school’s ability to cover its debt obligations in the current year.

This ratio measures whether or not a school can pay the principal and interest due on its debt based on the current year’s net income. Depreciation expense is added back to the net income because it is a non-cash transaction and does not actually cost the school money. The interest expense is added back to the net income because it is one of the expenses an entity is trying to pay, which is why it is included in the denominator.

**Data source**

- Net income: audited income statement
- Depreciation expense: audited cash flow statement
- Interest expense: audited cash flow statement and/or income statement
- Annual principal and interest obligations: provided from the school

**Measure 2d**

**Debt Service Coverage Ratio: (Net Income + Depreciation + Interest Expense)/(Annual Principal, Interest, and Lease Payments)**

**Meets Standard:**

- Debt Service Coverage Ratio is equal to or exceeds 1.1

**Does Not Meet Standard:**

- Debt Service Coverage Ratio is less than 1.1

**Falls Far Below Standard:**

- Not Applicable

### Basis for target level

Debt Service Coverage Ratio is commonly used as a debt covenant measure across industries. A ratio of 1.1 or greater is industry standard for identifying organizations healthy enough to meet obligations and generate a surplus.

## Additional Considerations When Evaluating Schools

The Financial Performance Framework focuses on the charter school, the entity to which the authorizer has a legal relationship through the charter contract. In some locales with one charter contract for multiple schools or independent campuses, the authorizer should hold each school or campus independently accountable. Each charter school or campus should have its own independent audit and financial statements that can be evaluated by the authorizer, or, if an umbrella entity has a single consolidated audit for multiple schools or campuses, each school or campus's financials should be independently represented in the consolidated audit.

If a school contracts with an Education Service Provider (ESP), the Financial Performance Framework should still apply. The school should have an independent audit that shows the individual school's finances, with any fees to the ESP clearly delineated. Authorizers should not permit schools to operate with what are commonly called "sweeps contracts," which require schools to transmit all of their revenues to an ESP without accounting for revenues and expenditures at the school level. NACSA's *Principles & Standards for Quality Charter School Authorizing* (2012) includes recommendations for what information should be included in schools' contracts with ESPs and for how authorizers should oversee charter schools with ESP contracts.

## Conclusion

Because evaluation of financial performance is largely based on industry standards, this section may not need to be adapted as much as other sections of the Performance Framework. However, authorizers should be mindful of unique circumstances in state laws that may require modification to the NACSA Financial Performance Framework (e.g., charter schools may not be allowed to carry debt). This framework is a means to evaluate whether current and continued investment in each charter school is a responsible and beneficial use of public funds, and modifications should be made with this purpose in mind.

## Glossary A: Terms Used in the Financial Performance Framework

**Assets:** A probable future economic benefit obtained or controlled by a particular entity as a result of past transactions or events. These economic resources can be tangible or intangible.

**Audit:** A systematic collection of the sufficient, competent evidential matter needed to attest to the fairness of management's assertions in the financial statements or to evaluate whether management has efficiently and effectively carried out its responsibilities. The auditor obtains this evidential matter through inspection, observation, inquiries, and confirmations with third parties.

**Balance Sheet:** A financial statement that discloses the assets, liabilities, and equities of an entity at a specified date in conformity with generally accepted accounting principles (GAAP). Also referred to as the Statement of Financial Position or Statement of Net Assets.

**Basis of Accounting:** This refers to the methodology and timing of when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

**Cash Basis:** A basis for accounting whereby revenues are recorded only when received, and expenses are recorded only when paid without regard to the period in which they were earned or incurred.

**Consultant:** An independent individual or entity contracting with an agency to perform a personal service or render an opinion or recommendation according to the consultant's methods and without being subject to the control of the agency except as to the result of the work. The agency monitors progress under the contract and authorizes payment.

**Current Assets:** Resources that are available, or can readily be made available, to meet the cost of operations or to pay current liabilities.

**Current Liabilities:** Those obligations that are payable within one year from current assets or current resources.

**Current Ratio:** A financial ratio that measures whether or not an entity has enough resources to pay its debts over the next 12 months. It compares an entity's current assets to its current liabilities and is expressed as follows:  $\text{current ratio} = \text{current assets} \div \text{current liabilities}$ .

**Debt:** An obligation resulting from the borrowing of money or from the purchase of goods and services. Debts of the entity include bonds, accounts payable, and other liabilities.

**Debt Service:** The cash that is required for a particular time period to cover the repayment of interest and principal on a debt. Debt service is often calculated on a yearly basis.

**Debt Service Default:** Occurs when the borrower has not made a scheduled payment of interest or principal.

**Debt Service Coverage Ratio:** Also known as "debt coverage ratio," is the ratio of cash available for debt servicing to interest, principal, and lease payments.

**Debt to Asset Ratio:** A financial ratio that measures the proportion of an entity's assets that are financed through debt. It compares an entity's total assets to its total liabilities and is measured by dividing the total liabilities by the total assets. If the ratio is less than one, most of the entity's assets are financed through equity. If the ratio is greater than one, most of the entity's assets are financed through debt.

**Financial Audit:** An audit made by an independent external auditor for the purpose of issuing an audit opinion on the fair presentation of the financial statements of the entity in conformity with Generally Accepted Accounting Principles.

**Fiscal Period:** Any period at the end of which an entity determines its financial position and the results of its operations.

**GAAP:** Refer to Generally Accepted Accounting Principles.

**General Fund:** The general fund is used to account for the general financial activities of the entity when reporting under governmental accounting. The general fund is used for funds not required to be accounted for in another account.

**Generally Accepted Accounting Principles (GAAP):** These are the uniform minimum standards for financial accounting and reporting. They govern the form and content of the financial statements of an entity. GAAP encompass the conventions, rules, and procedures necessary to define accepted accounting practice at a particular time. They include not only broad guidelines of general application, but also detailed practices and procedures. The primary authoritative body on the application of Generally Accepted Accounting Principles (GAAP) to state and local governments is the Governmental Accounting Standards Board.

**Governmental Accounting:** The composite activity of analyzing, recording, summarizing, reporting, and interpreting the financial transactions of a governmental entity.

**Income Statement:** A financial statement that shows revenues and expenditures of an entity at a specified date in conformity with Generally Accepted Accounting Principles (GAAP). Also referred to as the Statement of Activities and Changes in Net Assets or the Statement of Activities.

**Indicator:** General category of financial performance.

**Interest Payable:** A liability account reflecting the amount of interest owed by the entity. In governmental funds, interest is to be recognized as an expenditure in the accounting period in which it becomes due and payable, and the liability is to be recorded as interest payable at that time. In proprietary and trust funds, interest payable is recorded as it accrues, regardless of when payment is actually due.

**Interim Financial Statement:** A financial statement prepared before the end of the current fiscal period and covering only financial transactions during the period to date.

**Liabilities:** Probable future sacrifices of economic benefits, arising from present obligations of a particular entity to transfer assets or provide services to other entities in the future as a result of past transactions or events. The term does not include encumbrances.

**Margin:** The difference between revenues and expenses. The margin can refer to the gross margin (operating revenues less operating expenses) or the total margin (see Total Margin).

**Measure:** General means to evaluate an aspect of an indicator.

**Metric:** Method of quantifying a measure.

**Net Assets:** The difference between assets and liabilities.

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**Net Income:** A term used in accounting for proprietary funds to designate the excess of total revenues and operating transfers in divided by total expenses and operating transfers out for an accounting period.

**Principal:** The amount of the loan excluding any interest.

**Statement of Activities:** A government-wide financial statement that reports the net (expense) revenue of its individual functions. An objective of using the net (expense) revenue format is to report the relative financial burden of each of the reporting government's functions on its taxpayers.

**Statement of Cash Flows:** A GAAP financial statement for proprietary funds that provides relevant information about the cash receipts and cash payments of a government during a period. It categorizes cash activity as resulting from operating, noncapital financing, capital financing, and investing activities.

**Statement of Activities and Changes in Net Assets:** The financial statement that is the GAAP operating statement for pension and investment trust funds. It presents additions and deductions in net assets held for pension benefits and investment pool participants. It reconciles net assets held at the beginning and end of the financial period, explaining the relationship between the operating statement and the balance sheet.

**Statement of Net Assets:** A government-wide financial statement that reports the difference between assets and liabilities as net assets, not fund balances or equity. Assets are reported in order of liquidity, or how readily they are expected to be converted to cash and whether restrictions limit the government's ability to use the resources. Liabilities are reported based on their maturity, or when cash is expected to be used to liquidate them. Net assets are displayed in three components: invested in capital assets, net of related debt; restricted; and unrestricted.

**Target:** Threshold that signifies success for a specific measure.

**Total Margin:** Total revenues less total expenses.

## Glossary B: Other Useful Accounting Terms

**Accounting Period:** Any period of time designated for which financial statements are prepared.

**Cost Accounting:** The method of accounting that provides for accumulating and recording of all the elements of cost incurred to accomplish a purpose, to carry on an activity or operation, or to complete a unit of work or a specific job.

**Deficit:** 1) The excess of the liabilities and reserves of a fund over its assets. 2) The excess of expenditures over revenues during an accounting period or, in the case of proprietary funds, the excess of expenses over revenues during an accounting period.

**Fund Balance:** In governmental funds, this is the difference between fund assets and fund liabilities. Governmental fund balances should be segregated into reserved and unreserved amounts.

**Long-Term Obligations:** Those obligations expected to mature at some future date and therefore not expected to be liquidated with currently existing resources or current assets. The long-term liabilities of specific enterprise, internal service, and trust funds are to be accounted for through those funds. All other un-matured, general, long-term liabilities are to be accounted for in the General Long-Term Obligations Subsidiary Account.

**Modified Accrual Basis:** The basis of accounting under which expenditures, whether paid or unpaid, are formally recognized when incurred against the account, but revenues are recognized only when they become both measurable and available to finance expenditures of the current accounting period. All governmental funds use the modified accrual basis of accounting.

**Operating Budget:** A plan of current expenditures and the proposed means of financing them. The operating budget is the primary means to ensure that the financing, acquisition, spending, and service delivery activities of the entity are controlled.

**Operating Expenses:** Proprietary fund expenses that are directly related to the fund's principal operations.

**Operating Income:** The excess of proprietary fund operating revenues over operating expenses.

**Operating Revenue:** Proprietary fund revenues that are directly related to the fund's principal operations. They consist primarily of user charges for goods and services.

**Operating Statement:** The financial statement disclosing the financial results of operations of a governmental unit during an accounting period in conformity with Generally Accepted Accounting Principles (GAAP).

**Reserved Fund Balance:** Those portions of fund balance that are not appropriated for expenditure or that are legally segregated for a specific future use.

**Restricted Assets:** Assets whose use is subject to constraints that are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.

**Restricted Net Assets:** One of the three components of net assets reported in government-wide and proprietary fund financial statements. Net assets should be restricted when constraints are placed on net asset use either 1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or 2) imposed by law through constitutional provisions or enabling legislation.

**Single Audit:** A financial, internal control, and compliance audit of a nonfederal entity administering federal assistance awards including the financial statements of the entity.

**Statement of Changes in Fiduciary Net Assets:** The fund financial statement that presents information about the changes in net assets for each fiduciary fund.

**Statement of Fiduciary Net Assets:** The fund financial statement that presents information about the assets, liabilities, and net assets for each fiduciary fund type.

**Statement of Revenues, Expenditures, and Changes in Fund Balance:** The financial statement that is the Generally Accepted Accounting Principles (GAAP) operating statement for governmental funds. It presents the inflows, outflows, and balances of current financial resources. It reconciles fund balance at the beginning and end of the financial period, explaining the relationship between the operating statement and the balance sheet.

**Statement of Revenues, Expenses, and Changes in Fund Net Assets or Fund Equity:** The financial statement that is the Generally Accepted Accounting Principles (GAAP) operating statement for proprietary funds. It distinguishes between operating and non-operating revenues and expenses, and separately presents revenues from capital contributions and additions to the principal of permanent and term endowments, special and extraordinary items, and transfers. It reconciles fund net assets or fund equity at the beginning and end of the financial period, explaining the relationship between the operating statement and the balance sheet/statement of net assets.

**Unreserved Fund Balance:** Unreserved fund balance is that portion of governmental fund equity that is neither legally segregated for a specific future use nor unavailable for appropriation. It may be either designated or undesignated. Designations may be established to indicate tentative plans for financial resource utilization in a future period. Unreserved, undesignated fund balance is available for appropriation.

**Unrestricted Net Assets:** One of the three components of net assets reported in government-wide and proprietary fund financial statements. It represents that portion of net assets that is neither restricted nor invested in capital assets (net of related debt).





# Core Organizational Performance Framework Guidance

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## Core Organizational Performance Framework Guidance

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The Core Organizational Performance Framework is intended as a starting point for authorizers to adapt to hold charter schools accountable for organizational performance. The Organizational Performance Framework defines the operational standards to which a charter school should be accountable to its authorizer and the public. It is designed to treat all schools as though they are the same only in terms of meeting minimum legal and ethical requirements. This enables schools to retain the flexibility and autonomy to be different in the ways that matter most for a school's mission, vision, and educational program.

The expectations set out in the Organizational Framework derive from state and federal law as well as the operating terms that the school has proposed in the charter application. Of the three frameworks, the Organizational Framework is most closely aligned with the charter contract in terms of documenting operational expectations such as special education, accounting practices, reporting requirements, and the like.

One of the authorizer's core responsibilities with respect to charter schools is to protect the public interest. The Organizational Framework is the primary lever for carrying out this responsibility. It enables the authorizer to ensure that charter schools are respecting rights of students, staff, and families within the schools as well as the interests of the general public in ensuring that charter schools meet the legal obligations that state and federal legislatures have determined should apply.

Of the three frameworks, the Organizational Framework abuts most closely against school autonomy. The central premise of charter school autonomy is that the authorizer will articulate the expected outcomes, and the school will have maximum flexibility to determine the best way to achieve those outcomes. In other words, the authorizer articulates the ends and the school decides the means of getting there. Whereas the Academic and Financial Frameworks focus almost exclusively on results, the Organizational Framework inevitably mandates process. Whether it is meeting requirements for minimum instructional days and minutes or ensuring that the facility meets applicable health and safety codes, the Organizational Framework is the place where the school becomes externally accountable for how it operates.

However, this process-focused accountability should be limited to those processes that are mandated by law, rules, regulations, or policies. Because organizational requirements focus largely on school operations, they have the greatest potential to infringe inappropriately on school autonomy. In K–12 education, we are accustomed to systems of school evaluation that focus primarily, if not exclusively, on process. Thus, evaluation systems consider whether school leadership is strong, how well data are being used, whether the instructional materials are rigorous, and whether classroom instruction is effective. Because this process-focused approach is familiar and common—indeed the norm—it is easy for authorizers to fall into process-based oversight routines. Despite the fact that these processes are undeniably critical to school success, they are generally not the authorizer's purview. In the charter model, these process decisions are central to school autonomy and should remain the responsibility of the school's governing board and leadership.

Another red herring with respect to evaluation of organizational performance is the reluctance of authorizers to impose uniformity on schools. Authorizers and schools alike sometimes have the sense that if schools have uniform expectations they are somehow being stifled in their flexibility, autonomy, and ability to innovate. The opposite is true. In fact, the more detailed and school-specific the operational requirements become, the more the school's autonomy is likely to be constrained.

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All expectations set out in the Performance Frameworks or the charter contract bind in some way the school's ability to adapt and manage outcomes as it sees fit. The best way for authorizers to maximize school operational autonomy is to establish a base set of operational expectations that are common to all schools and to limit those requirements primarily to what is required by legal or ethical conduct. Everything else related to school operations can remain within the school's purview to manage, control, and change as school leadership sees fit. The more that the authorizer's operational requirements stray beyond fundamental legal or ethical obligations—including by being tailored to familiar notions of what the educational process should look like in general or for a particular school—the more that the authorizer infringes on a charter school's appropriate autonomy.

Even though many educational or organizational process measures may not be appropriate for performance-based accountability, they retain a critical place in school oversight. Authorizers can use process-related information gained from site visits and other means for several purposes, including:

- Monitoring schools that may not yet have sufficient outcome or compliance data
- Determining the degree to which issues reflected in the Performance Framework are systemic
- Providing supplemental information for high-stakes decisions

The performance of schools on the Performance Framework should drive authorizers' decisions, but additional information can serve as a useful supplement, particularly when authorizers are making high-stakes decisions such as non-renewal or revocation. Collection of process-related information can be resource intensive for both authorizers and schools; therefore, authorizers should focus resources first on collecting necessary performance-focused data to populate the Performance Framework and then on collecting additional information as warranted.

**NACSA's *Principles & Standards* (2012) states that**

“A Quality Authorizer implements an accountability system that effectively streamlines federal, state, and local...compliance requirements while protecting schools' legally entitled autonomy and minimizing schools' administrative and reporting burdens” (p. 17).

## Framework Structure

The Organizational Framework is divided into indicators, measures, metrics, and ratings, which are explained below.

### Indicators

The framework includes six indicators or categories used to evaluate the school's organizational performance and compliance.

#### 1. Education Program

The Education Program section assesses the school's adherence to the material terms of its proposed education program. As a legal term, something is “material” if it is relevant and significant. For purposes of defining educational program accountability, the authorizer should consider whether the information would be relevant and significant to decisions about whether to renew, non-renew, or revoke a charter.

In addition to capturing material terms of the education program, this section also captures certain aspects of an education program that are required by law (e.g., content standards, assessments, special education requirements, etc.).

## 2. Financial Management and Oversight

While the Financial Framework is used to analyze the school's financial performance, authorizers use this section of the Organizational Framework to set expectations for the school's management and oversight of its finances, without regard to financial performance. Audit results and audit findings are critical sources of evidence when evaluating schools against this indicator.

## 3. Governance and Reporting

A charter school must practice sound governance and adhere to reporting requirements of the authorizer and other responsible entities. In this section the authorizer sets forth expectations of the charter board's compliance with governance-related laws as well as the board's own bylaws and policies. Additionally, this indicator includes a measure to evaluate the extent to which the board oversees the individuals or organizations to which it delegates the duties of implementing the program, a fiduciary responsibility of the board.

## 4. Students and Employees

While charter schools may be exempt from certain laws and allowed to function with greater autonomy, they still must adhere to federal and state laws regarding treatment of individuals within the organization. In this section, the authorizer measures charter school compliance with a variety of laws related to students and employees, including the rights of students and employees as well as operational requirements such as teacher licensing and background checks.

## 5. School Environment

Charter schools must also follow laws related to the school's physical plant and the health and safety of students and the charter community. This section addresses the school's facility, transportation, food service, and health services, among other things.

## 6. Additional Obligations

The final indicator ensures that the authorizer has the authority to hold the charter school accountable for any laws or requirements that are not explicitly stated in the Organizational Framework. The measures and metrics outlined in this Framework represent the authorizer's priorities, thus certain, lower priority requirements may not be explicitly called out in the framework and would instead be captured in the Additional Obligations section. This indicator also captures any requirements that may have been enacted or changed after the Performance Framework was adopted into the charter contract.

## Measures

For each of the indicators, the framework provides a number of measures by which to evaluate schools. The measures take the form of questions about each school's performance. For example:

- Is the school implementing the material terms of the education program as defined in the current charter contract?
- Is the school protecting the rights of English Language Learner (ELL) students?
- Is the school meeting financial management and oversight requirements?

Information and guidance specific to each measure is provided below in the [Measures in Detail](#) section.

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## Metrics

Metrics are expectations set forth in evaluating a measure. For example, to evaluate the question, “Is the school following Generally Accepted Accounting Principles?” authorizers should look to a number of areas where the school must meet existing expectations established by laws, rules, regulations, or provisions of the charter contract. Examples of metrics for this measure are:

- An unqualified audit opinion
- An audit devoid of significant findings and conditions, material weaknesses, or significant internal control weaknesses
- An audit that does not include a going concern disclosure in the notes or an explanatory paragraph within the audit report

Throughout the Organizational Framework, we set forth the metrics for evaluating the different measures within the “Meets Standard” rating.

Authorizers will need to evaluate federal and state laws and authorizer policies when finalizing measures and metrics to include in the Organizational Framework. It is important that the Organizational Framework aligns with existing laws, rules, and regulations, which vary from state to state. The Framework should be adapted to align with state-established expectations. In addition, the authorizer should evaluate the charter contract and ensure that the language and expectations are consistent with the Framework. Authorizers may use the charter contract to set additional expectations of charter schools that are not stated in law and may emphasize specific areas of compliance (e.g., the charter contract should establish detailed reporting requirements for schools), though additional obligations should be kept to a minimum to respect school autonomy.

## Targets and Ratings

For each measure a school receives one of three ratings based on evaluation of the established metrics.<sup>15</sup>

### *Meets Standard:*

The “Meets Standard” rating is defined by the threshold of success for the measure, or the target the school is expected to meet. In the Organizational Framework, this rating provides the detailed metrics against which the charter school is judged. If the school meets the target, then the authorizer does not need to follow up with the school or require corrective action. Schools do not meet the standard if failures are material in nature, meaning they are relevant to the authorizer’s accountability decisions.

### *Does Not Meet Standard:*

The “Does Not Meet Standard” rating remains consistent for each measure in the Organizational Framework and reads:

“The school has failed to implement the program in the manner described above; the failure(s) were material, but the board has instituted remedies that have resulted in compliance or prompt and sufficient movement toward compliance to the satisfaction of the authorizer.”

This means that the school has materially failed to meet the target at any point during the evaluation period; however, the failure(s) were not significant to the viability of the school and the board has either brought the school into compliance or has made sufficient progress toward compliance. Schools with a number of “Does Not Meet Standard” designations may be considered for non-renewal.

<sup>15</sup> Similar to the Financial Framework, the Organizational Framework does not have an “Exceeds Standard” rating. Because the Organizational Framework is largely driven by compliance with laws and the charter contract, charter schools are judged by whether they are in or out of compliance.

*Falls Far Below Standard:*

The “Falls Far Below Standard” rating also remains consistent for each measure in the Organizational Framework and reads:

“The school failed to implement the program in the manner described above; the failure(s) were material and significant to the viability of the school, or regardless of the severity of the failure(s), the board has not instituted remedies that have resulted in prompt and sufficient movement toward compliance to the satisfaction of the authorizer.”

“Falls Far Below Standard” means the school is not meeting the authorizer’s expectation of satisfactory performance, and follow up by the authorizer is necessary to determine authorizer action or accountability decisions. A school should receive this rating if it is currently not in material compliance with the requirement and that noncompliance impacts its ability to implement its program effectively and in a manner consistent with expectations outlined in the contract. A school may also receive this rating if it has been chronically out of compliance throughout the evaluation period and/or is not making satisfactory progress toward compliance. A school with one or more “Falls Far Below Standard” designations may be considered for non-renewal or revocation of its charter.

## Considerations for Using the Core Organizational Performance Framework

As with the Academic and Financial Performance Frameworks, authorizers should use the Organizational Performance Framework to collect evidence of performance and to evaluate schools at least annually, to monitor schools throughout their charter terms, to report to schools and the public annually, to intervene in schools that do not meet expectations, and to make high-stakes decisions, including whether to renew, non-renew, or revoke a school’s charter or to expand or replicate a school. See the [Use of the Core Performance Framework](#) section for additional information.

### Collecting Evidence and Evaluating Schools on the Organizational Performance Framework

The data required for an authorizer to use the Organizational Performance Framework may not be the same across authorizers. Authorizers should determine the amount of evidence that is necessary to determine whether the school is meeting each target and assess staff capacity when deciding how best to evaluate school organizational performance. Some measures in the Organizational Framework require periodic monitoring to ensure compliance, while others can be analyzed annually during site visits or through reports submitted to the authorizer. Others still may only require an assurance of compliance by the charter school board but may require follow up if concerns are raised.

Due to the complexity in verifying compliance with some metrics, evidence of compliance may be determined only after the collection and analysis of multiple data points. For example, the authorizer may periodically evaluate whether a school is compliant with special-education requirements by gathering evidence through multiple sources at different points in the school year (e.g., the authorizer may annually verify compliance by review of special-education audits conducted by the State Education Agency as well as through site visit observations and analysis of school records).

The sections below outline common ways that authorizers may collect data to evaluate charter schools’ organizational performance, beginning with the least intensive approach. Authorizers will have to determine which approach is most appropriate for evaluating each section of the Organizational Framework based on their authorizing values, capacity, and local environments.

### **Assurance of compliance by the charter board**

The Organizational Framework provides a space for the authorizer to report any credible cases of noncompliance in areas where it may not routinely evaluate the school. The authorizer should require that the school maintain a file of official assurance of compliance by the charter school board. This documentation by the charter board provides an assurance to the authorizer that the board is aware of its legal obligations to the organization. The charter school board should approve this document annually. Accompanying this assurance should be evidence of compliance or direct reference to evidence (e.g., reference to board minutes or policies, reference to school procedures, or certificates). The assurance and evidence could be organized in a file or binder that the authorizer can access at the school site upon request.

The authorizer should review the file at least annually or when deemed necessary (e.g., the authorizer may review this report and request follow-up information on some measures during an annual site visit). For instance, an authorizer may require that the charter school board assure it is complying with employment law. Evidence of compliance would include the board-approved assurance and would be verified annually by the authorizer; in this case, compliance would be assumed unless determined otherwise. A complaint to the authorizer may warrant more direct review or investigation of an issue, but the burden of providing evidence of compliance lies with the charter school board that has assured compliance to the authorizer.

### **Required reporting**

The authorizer may also require that the charter school report or verify compliance to the authorizer, in which case evidence of compliance would be at the disposal of the authorizer for reference during monitoring. For example, the authorizer may require that the charter school submit a list of teachers' proof of credentials on an annual basis. Note, however, that the authorizer should be careful to verify the accuracy and quality of self-reported data.

Excessive required reports may be burdensome on both the school and authorizer and could cause the authorizer to spend more time and resources monitoring reporting requirements than evaluating the school's performance outcomes. To ease the burden, the authorizer should establish a calendar of required reports to clearly communicate regular reporting deadlines to its charter schools. The calendar should outline which reports the authorizer requires, the form the reports should take, and the point(s) in the year when reports are due to the authorizer.

### **Third-party reviews**

Another way to verify compliance is to seek reviews from a third-party reviewer (e.g., an authorizer may rely on the special-education division of the State Education Agency for part of its assessment of compliance with special-education laws). This allows for the authorizer to access expert opinions while at the same time reducing redundancy in review and evaluation of the school, which could tend to lower charter school autonomy. Another form of third-party review could be the hiring of a consultant with the necessary expertise to verify compliance. For instance, if an authorizer through initial review has reasonable suspicion of noncompliance with graduation requirements, it may hire a consultant to review a school's transcripts, credit assignments, and written graduation requirements.

### **Observed practice**

The authorizer may verify compliance for certain measures in the Organizational Framework through direct observation. For example, the authorizer may observe mandatory state assessments to ensure compliance

with required procedures. If the authorizer seeks verification in this form, then it is critical that the authorizer has the capacity and expertise to appropriately evaluate performance. Authorizers should be careful of using this type of monitoring except when necessary and should, wherever possible, seek additional evidence to substantiate observed practice.

### Investigations

At times authorizers may receive complaints or assertions from individuals that a school is not in compliance. The authorizer should generally refer the complainant to the charter school board, which is responsible for investigating such cases. However, from time to time the authorizer may receive complaints that it must investigate directly, especially if the complaint is a major infraction (e.g., school leadership is accused of cheating on state assessments) or if it involves the charter school board (e.g., accused violations of open meeting law). In some instances, the authorizer itself may be required by law to take action or notify appropriate authorities, including the State Education Agency, of its findings. The Organizational Framework allows space for the authorizer to investigate potential grievances and determine whether or not the school is meeting organizational expectations.

### High-Stakes Decision Making

The Academic Performance Framework should generally be seen as the primary tool for accountability decisions largely because authorizers use this framework to measure schools' academic outcomes; the Organizational Framework is used to measure compliance, which is not always directly related to school performance. In most cases, authorizers should use the evaluation of the Organizational Framework as a way to communicate unsatisfactory performance, as a basis for intervention, or as secondary evidence when making the case for closure. Only when the school falls far below the standard, which would indicate major concerns with organizational effectiveness, should an authorizer consider findings on organizational effectiveness as the primary reason for non-renewal or revocation. Regardless of the point in the life of the charter, whether during an interim review or at the time of renewal, schools that have multiple occurrences where they fall below the standards should be considered for non-renewal or revocation, especially if these instances put students in danger, are pervasive within the charter school, or are egregious in nature.

At the end of a charter term, the authorizer should analyze both static and trend data related to organizational performance using the Organizational Framework. It is important to analyze whether the school's performance in the one area is trending upward or downward, as that may impact both intervention and renewal decisions. A school may show a pattern of sporadic noncompliance throughout the life of the charter and in the most recent year. In this case, the authorizer must evaluate the school's organizational effectiveness and determine whether the issues are systemic and if the school is likely to remain unstable in the next charter term.

### Measures in Detail

The Organizational Framework catalogs in one place the various requirements that the charter school must meet according to state or federal law, rules, regulations, and provisions of the charter contract. This section will help the authorizer better understand the origin of each measure and therefore more clearly communicate these expectations to the schools in its portfolio. Below are definitions of the measures included in the Organizational Framework and background information to help authorizers better understand each measure and where to find evidence to evaluate schools against the measures.

## Indicator 1: Education Program

The Organizational Framework includes measures of the school's educational program that are legal or contractual requirements that the school must adhere to when implementing its educational program. These measures are different from the Academic Performance Framework in that they measure educational compliance rather than performance outcomes and should remain separate from the Academic Performance Framework.

### Material Terms of the Charter Contract

The Education Program section assesses the school's adherence to the material terms of its proposed education program. As a legal term, something is "material" if it is relevant and significant. For purposes of defining educational program accountability, the authorizer should consider whether the information would be relevant and significant to decisions about whether to renew, non-renew, or revoke a charter.

In particular, this indicator assesses the school's education-program-related requirements as established in law and through the school's charter school application. Once an approved school becomes operational, the authorizer should expect the educational program to be reasonably consistent with the one proposed in the application. This expectation, sometimes called "fidelity to the program," is important because the school was approved on the premise that the educational program specifically proposed was likely to be successful.

The other consideration is that the authorizer needs to be able to vouch for the school being what it purports to be. Families and their children will choose to attend based, in part, on the school's description of its program. The public will believe that the program is being implemented as advertised. Thus, part of the authorizer's public accountability role is to ensure that the school is being reasonably accurate in how it presents itself.

Thus, we recommend that authorizers extract from the approved application the essential elements of the educational program to which the school will be held accountable. For example, if the school proposes to have a math and science focus, the school should be accountable for the educational program having a recognizable emphasis on math and science. If the school promises to place a high priority on character development, then the authorizer's oversight should include consideration of whether character development is identifiable in the day-to-day educational program. Similarly, many charter applicants now promote educational program decisions such as an extended school day and school year as the keys to their promised success. In such cases the authorizer's definition of the material terms might simply revolve around the school providing additional instructional time as promised.

It is important that authorizers place appropriate limits on the scope of the educational program review. The assessment of educational program terms should generally be a "truth in advertising" standard. In other words, the authorizer should establish objective measures that do not require a determination of how well the school is doing whatever it promised to do. For example, the school that promises to achieve success through an extended school day and year should be evaluated based on whether there is, in fact, extended time as advertised. The authorizer need not hold the school accountable for how well that extra time is being used. The school's ultimate academic performance on either standard or mission-specific measures is evaluated through the Academic Performance Framework.

Incongruent as a minimal standard may seem to be, there are several reasons why it is important for the authorizer to approach educational program accountability in this way. One reason is expertise. Authorizers generally do not have either the expertise to conduct in-depth qualitative evaluation for a wide range of educational programs or the resources to engage others to do so.

Another reason to maintain a minimal standard is school autonomy. If schools are to be held accountable for educational outcomes, they must have maximum autonomy and flexibility over the educational process. Maintaining a minimum standard for the essential program elements serves to maximize the school's ability to make changes and adjustments needed to achieve the educational outcomes that should be the authorizer's primary focus for educational accountability. The understanding should be that any program elements not stated in the contract or accompanying policies remain within the school's purview to change.

Finally, authorizers must maintain respect for school choice. An important part of the charter school idea is giving families educational options. Authorizers should be cautious about inserting their own views about whether a program is good enough—in terms of the educational process—when a prominent objective of most charter school laws is to provide families expanded options for such programs.

This measure does not evaluate the performance of the school, which is the focus of the Academic Performance Framework. This measure only addresses the program itself, the organization's fidelity to that program, and organizationally whether the school is appropriately notifying the authorizer of and gaining approval for major changes to the education program.

#### Measure 1a

Is the school implementing the material terms of the education program as defined in the current charter contract?

##### *Meets Standard:*

The school implemented the material terms of the education program in all material respects and the education program in operation reflects the material terms as defined in the charter contract, or the school has gained approval for a charter modification to the material terms.

#### Data source

Authorizers may verify implementation of the material terms through site visit observations, interviews with stakeholders in the charter community, and required reports from the charter school (including annual reports and renewal applications).

### Education Requirements

Some elements of a public school's education program are fixed in law and may not be waived for charter schools. This measure evaluates the school's adherence to education requirements, such as content standards.

#### Measure 1b

Is the school complying with applicable education requirements?

##### *Meets Standard:*

The school materially complies with applicable laws, rules, regulations, and provisions of the charter contract relating to education requirements, including but not limited to:

- Instructional days or minutes requirements
- Graduation and promotion requirements
- Content standards, including Common Core
- State assessments
- Implementation of mandated programming as a result of state or federal funding

### Data source

The authorizer could choose to require an assurance from the charter school board of compliance and follow up if complaints or reports from the State Education Agency indicate noncompliance. Follow-up review could include requests of data to verify compliance such as school calendars, student records, or reports the school may submit to the State Education Agency (e.g., reports to verify state assessment compliance).

When evaluating the requirement that the school implemented “mandated programming as a result of state or federal funding,” the authorizer could work with divisions within the State Education Agency that oversee these programs (e.g., Title IV), as they likely have processes in place to evaluate and report findings of noncompliance.

### Students with Disabilities

Charter schools must follow state and federal special-education laws and provide a high-quality learning environment for all students. In addition to an evaluation of how well a school is educating students with special needs (a component of the Academic Performance Framework), the Organizational Performance Framework should include an evaluation of how well the school is meeting its legal obligations regarding services to these students and protecting their rights under state and federal law. The elements within this measure include but are not limited to requirements for access and identification of students with disabilities, appropriate staffing, proper management and implementation of Individualized Education Plans (IEP) and Section 504 plans, and appropriate use of categorical funds.

Requirements of this measure will vary depending on whether the charter school is identified as a Local Education Agency or a school within a district Local Education Agency. The authorizer should adjust this measure based on the schools’ definition within its portfolio. In developing an appropriate measure, the authorizer—particularly an authorizer that is a State Education Agency or Local Education Agency for special-education purposes—should also consider the interaction between the school’s responsibilities and its own responsibilities for identification, admissions, placement, delivery of services, transfer of records, and oversight. Authorizers may want to reference the Authorizer SPED Rubric for Local Education Agencies (LEAs)<sup>16</sup> and Authorizer SPED Rubric for Non-Local Education Agencies (Non-LEAs)<sup>17</sup> for more guidance on overseeing charter schools’ services for students with disabilities.

<sup>16</sup> Accessed at <http://www.charterschoolcenter.org/resource/authorizer-sped-rubric-local-education-agencies-leas>

<sup>17</sup> Accessed at <http://www.charterschoolcenter.org/resource/authorizer-sped-rubric-non-local-education-agencies-non-leas>

**Measure 1c****Is the school protecting the rights of students with disabilities?*****Meets Standard:***

Consistent with the school's status and responsibilities as either a Local Education Agency (LEA) or school in a district LEA, the school materially complies with applicable laws, rules, regulations, and provisions of the charter contract (including the Individuals with Disabilities Education Act, Section 504 of the Rehabilitation Act of 1973, and the Americans with Disabilities Act) relating to the treatment of students with identified disabilities and those suspected of having a disability, including but not limited to:

- Equitable access and opportunity to enroll
- Identification and referral
- Appropriate development and implementation of Individualized Education Plans and Section 504 plans
- Operational compliance, including provision of services in the least restrictive environment and appropriate inclusion in the school's academic program, assessments, and extracurricular activities
- Discipline, including due process protections, manifestation determinations, and behavioral intervention plans
- Access to the school's facility and program to students in a lawful manner and consistent with students' IEPs or Section 504 plans
- Appropriate use of all available, applicable funding

**Data source**

Authorizers may evaluate this measure through data from student information systems or other regular reporting mechanisms, site visit observations, record reviews, interviews of stakeholders, or third-party reports or monitoring. Data sources may vary depending on the school's status as a Local Education Agency or a school within a Local Education Agency.

Authorizers may also coordinate oversight activities and data collection with other entities that are responsible for ensuring appropriate provision of services to students with special needs such as a district special education department, a special education collaborative, board of cooperative services, or State Education Agency.

**English Language Learner (ELL) students**

Similar to their responsibilities regarding special education, charter schools must follow state and federal laws governing access and services for students who are English Language Learners (ELLs). In addition to an evaluation of how well a school is educating ELL students (a component of the Academic Performance Framework), the Organizational Performance Framework should include an evaluation of how well the school is meeting its legal obligations regarding services to these students and is protecting their rights under state and federal law. The elements within this measure include but are not limited to requirements for access and identification of ELL students, testing, exit and tracking requirements, appropriate staffing, support provision, communication with family members in their native languages, and appropriate use of categorical funds.

**Measure 1d****Is the school protecting the rights of English Language Learner (ELL) students?****Meets Standard:**

The school materially complies with applicable laws, rules, regulations, and provisions of the charter contract (including Title III of the Elementary and Secondary Education Act [ESEA] and U.S. Department of Education authorities) relating to requirements regarding English Language Learners (ELLs), including but not limited to:

- Equitable access and opportunity to enroll
- Required policies related to the service of ELL students
- Compliance with native language communication requirements
- Proper steps for identification of students in need of ELL services
- Appropriate and equitable delivery of services to identified students
- Appropriate accommodations on assessments
- Exiting of students from ELL services
- Ongoing monitoring of exited students

**Data source**

Authorizers may evaluate this measure through data from student information systems or other regular reporting mechanisms, review of school policies, site visit observations, record audits, interviews of stakeholders, or third-party reports or monitoring.

Authorizers may also coordinate oversight activities and data collection with other entities that are responsible for ensuring appropriate provision of services to ELL students such as ELL specialists in a school district, a board of cooperative services, or State Education Agency.

**Indicator 2: Financial Management and Oversight**

The Financial Performance Framework includes measures used to evaluate a school's financial health, while the measures in this section assess a school's ability to manage its finances appropriately, regardless of viability. Measures included in this indicator, because they evaluate compliance rather than financial performance outcomes, should be kept separate from the Financial Performance Framework, which is solely focused on performance outcomes.

**Financial Reporting and Compliance**

The financial reports included in this measure are used as a basis for the analysis of a school's financial viability (i.e., Financial Performance Framework) and financial management (see Measure 2b below). The purpose of this measure is to determine whether the school is submitting accurate and timely information to the authorizer. Reporting requirements such as financial audits and budget reports are often required by state law. Charter schools are public organizations that use public funds, and authorizers are the entities charged with ensuring that schools are responsible stewards of those funds. Authorizers require charter schools to report on their financial positions through annual budgets, periodic (e.g., quarterly) financial reports, financial audits, etc.

Additionally, if the school contracts with an Education Service Provider (ESP), sometimes referred to as a Charter Management Organization or Education Management Organization, the authorizer should include additional contractual provisions in the charter contract that “ensure...the school's financial independence from the external provider.”<sup>18</sup> The authorizer may assess this independence by requiring additional financial reports.

<sup>18</sup> *Principles & Standards for Quality Charter School Authorizing*. National Association of Charter School Authorizers, (2012).

**Measure 2a****Is the school meeting financial reporting and compliance requirements?*****Meets Standard:***

The school materially complies with applicable laws, rules, regulations, and provisions of the charter contract relating to financial reporting requirements, including but not limited to:

- Complete and on-time submission of financial reports, including annual budget, revised budgets (if applicable), periodic financial reports as required by the authorizer, and any reporting requirements if the board contracts with an Education Service Provider (ESP)
- On-time submission and completion of the annual independent audit and corrective action plans, if applicable
- All reporting requirements related to the use of public funds

**Data source**

The authorizer should maintain a record of schools' adherence to reporting requirements, including financial reports.

**Financial Management and Oversight**

Critical to an organization's health and stability is its ability to manage its finances well. Authorizers have a responsibility to protect the public's interest and must evaluate the extent to which the charter school is responsibly managing its finances. Charter schools should have an unqualified, or "clean," financial audit. This means that the auditor found the financial statements to be accurate and complete, which is necessary for evaluating a school's financial health.

Auditors evaluate an organization's financial statements and processes against Generally Accepted Accounting Principles (GAAP). Schools that do not meet these standards will have findings in their financial audits. Findings may be considered deficient, significant, or material. Material weaknesses are findings that are considered more severe because there is a reasonable possibility that a material misstatement of the school's financial statements will not be prevented or detected and corrected on a timely basis.

Certain findings are more adverse than others, and authorizers should specifically look for material weaknesses on internal controls. This means that the charter school does not have systems in place to minimize the risk of financial mismanagement. Smaller charter schools may struggle to meet this expectation because they have fewer people and resources available to manage their finances (e.g., schools can get internal controls findings if they do not have a system in place for different people to open the mail, record the billing, write the checks, etc.). However, because of the challenges the charter school sector has experienced with mismanagement and fraud involving public funds, authorizers should expect all of their charter schools, regardless of size, to meet this expectation on internal controls.

Finally, audits may include a "going concern disclosure," which is a paragraph in the auditor's opinion. Organizations that are considered a "going concern" are, in the opinion of the auditor, financially viable to operate for at least one year. If an audit includes a paragraph with a "going concern disclosure" then the auditor has concerns about the organization's viability, which should be a major concern for the authorizer.

**Measure 2b****Is the school following Generally Accepted Accounting Principles (GAAP)?*****Meets Standard:***

The school materially complies with applicable laws, rules, regulations, and provisions of the charter contract relating to financial management and oversight expectations as evidenced by an annual independent audit, including but not limited to:

- An unqualified audit opinion
- An audit devoid of significant findings and conditions, material weaknesses, or significant internal control weaknesses
- An audit that does not include a going concern disclosure in the notes or an explanatory paragraph within the audit report

**Data source**

The authorizer should require charter schools to conduct and submit an annual financial audit. The authorizer should have documented scope of audit requirements to ensure the financial audit includes information necessary to evaluate schools' financial management practices and viability.

**Indicator 3: Governance and Reporting****Governance Requirements**

Charter school boards hold fiduciary responsibility for the charter schools they oversee and must comply with applicable governance requirements. Boards may have different governance requirements based on how they are legally structured, but the list in this measure should be viewed as a starting point for authorizers to tailor based on their charter requirements and the laws in their states.

**Measure 3a****Is the school complying with governance requirements?*****Meets Standard:***

The school materially complies with applicable laws, rules, regulations, and provisions of the charter contract relating to governance by its board, including but not limited to:

- Board policies, including those related to oversight of an Education Service Provider (ESP), if applicable
- Board bylaws
- State open meetings law
- Code of ethics
- Conflicts of interest
- Board composition and/or membership rules (e.g., requisite number of qualified teachers, ban on employees or contractors serving on the board, etc.)
- Compensation for attendance at meetings

**Data source**

Governance requirements enumerated in this measure are purposefully narrow, in that they are requirements to which an authorizer can legally hold the board accountable.

Authorizers should seek to verify board compliance through analysis of board packets, including board minutes, and assurances of compliance. The authorizer should collect and review the school's board policies and bylaws. Additionally, the authorizer may require a statement of assurances of compliance with conflicts of interest and board membership requirements, among other things. When warranted, periodic attendance by the authorizer at board meetings may allow the authorizer to verify compliance with some elements of this measure beyond evidence that is collected through assurances or review of policies and other board reports.

If the authorizer, through monitoring or evaluation, finds that it needs to follow up and monitor board governance more closely, it can look for additional evidence through the following, which are often viewed as best practices of governing boards:<sup>19</sup>

- Strategic plan that includes goals and objectives for meeting the school's mission
- Board oversight and evaluation of the performance of the charter school

### Management Accountability

The central role of the charter school board is to responsibly delegate the work of actualizing the board's vision and mission. To that end, the board has a responsibility to oversee and hold accountable the charter school management, whether it chooses to contract with a management organization or hire an individual. Authorizers should have at their disposal the means to hold charter school boards accountable for their oversight of management.

For charter schools that contract with an Education Service Provider (ESP), the charter contract between the authorizer and the board should, "clearly identify the school governing board as the party ultimately responsible for the success or failure of the school" and "condition charter approval on authorizer review and approval of the third-party contract." The authorizer should ensure that the third-party contract or written performance agreement with an ESP includes, among other things, "performance measures, consequences, and mechanisms by which the school governing board will hold the provider accountable for performance, aligned with the performance measures in the charter contract" and "financial reporting requirements and provisions for the school governing board's financial oversight."<sup>20</sup>

#### Measure 3b

Is the school holding management accountable?

#### *Meets Standard:*

The school materially complies with applicable laws, rules, regulations, and provisions of the charter contract relating to oversight of school management, including but not limited to:

- (For Education Service Providers [ESPs]) maintaining authority over management, holding it accountable for performance as agreed under a written performance agreement, and requiring annual financial reports of the ESP
- (For Others) oversight of management that includes holding it accountable for performance expectations which may or may not be agreed to under a written performance agreement

#### Data source

Expectations for the board to hold the school management accountable should be established in a written performance agreement to which the authorizer should require access. Depending on state laws and the authorizer's ability to hold the charter school accountable for this measure, the authorizer may also seek to evaluate a school's Request for Proposals process for seeking Education Service Providers.

<sup>19</sup> Cornell-Feist, Marci. *Board Meetings: A Guide for Charter Schools*. The High Bar, August 2011.

<sup>20</sup> *Principles & Standards for Quality Charter School Authorizing*. National Association of Charter School Authorizers, (2012).

## Reporting Requirements

Reports from schools are required in order to allow the authorizer to monitor and evaluate the school's academic and operational performance and form the basis for renewal recommendations. Authorizers, in order to effectively evaluate charter school performance, must receive reports from the charter schools they authorize. Additionally, charter schools are responsible to other entities, including the State Education Agency, for certain reporting requirements. Many reporting requirements may be fixed in law while others are outlined in the charter contract or are required by the authorizer for monitoring purposes (e.g., required reports for intervention).

This measure includes broad categories of reports, the collection of which the authorizer should monitor. The authorizer should expand this to include specific reports required by the authorizer and/or state.

### Measure 3c

Is the school complying with reporting requirements?

#### *Meets Standard:*

The school materially complies with applicable laws, rules, regulations, and provisions of the charter contract relating to relevant reporting requirements to the school's authorizer, State Education Agency (SEA), district education department, and/or federal authorities, including but not limited to:

- Accountability tracking
- Attendance and enrollment reporting
- Compliance and oversight
- Additional information requested by the authorizer

#### Data source

To help monitor this measure, authorizers should develop a reporting calendar to track all required reports to the authorizer, State Education Agency, and any other relevant parties; this will help both the authorizer and school keep track of when reports are due, which will minimize duplicative reporting.

## Indicator 4: Students and Employees

### Rights of students

Charter schools must protect the rights of the students they serve. The authorizer has a responsibility to ensure that the charter school is in compliance with a range of requirements from admissions policies to protections of students' civil rights.

**Measure 4a****Is the school protecting the rights of all students?****Meets Standard:**

The school materially complies with applicable laws, rules, regulations, and provisions of the charter contract relating to the rights of students, including but not limited to:

- Policies and practices related to admissions, lottery, waiting lists, fair and open recruitment, and enrollment (including rights to enroll or maintain enrollment)
- The collection and protection of student information (that could be used in discriminatory ways or otherwise contrary to law)
- Due process protections, privacy, civil rights, and student liberties requirements, including First Amendment protections and the Establishment Clause restrictions prohibiting public schools from engaging in religious instruction
- Conduct of discipline (discipline hearings and suspension and expulsion policies and practices)

*Note: Proper handling of discipline processes for students with disabilities is addressed more specifically in Section 1c.*

**Data source**

Each authorizer should evaluate this measure through reports to the authorizer and/or the State Education Agency, charter school board policies and examples of forms (e.g., student enrollment form), and site visit observations and interviews with charter school community stakeholders. The authorizer may also need to require that the board assures compliance with certain elements of this measure that may be difficult to verify unless through investigation (e.g., implementation of discipline policies).

**Attendance Goals**

In most states charter schools are required to meet attendance expectations. Attendance goals are often established at the state level through a school's No Child Left Behind (NCLB) requirements or Elementary and Secondary Education Act (ESEA) waivers, and are usually set at 90 percent. However, an authorizer may choose to establish its own attendance expectations in the charter contract.

Attendance is an important leading indicator of a quality education program, but it is not included in the Academic Performance Framework because it is not in itself an academic performance outcome. The authorizer should evaluate the school's attendance rates through the lens of organizational effectiveness. Schools with strong attendance are more financially and organizationally stable. Schools that struggle to meet attendance goals, especially if chronically, may be at risk of academic or financial failure.

If state law does not stipulate attendance goals, authorizers should consider whether this is an appropriate expectation to set for schools in the charter contract.

**Measure 4b****Is the school meeting attendance goals?****Meets Standard:**

The school materially complies with applicable laws, rules, regulations, and provisions of the charter contract relating to attendance goals.

**Data source**

Authorizers should evaluate this measure through reports to the authorizer and/or the State Education Agency.

## Staff Credentials

Public schools must employ appropriately qualified and credentialed staff including administrative, teaching, and educational support staff as required by law. For schools that receive Title II funding, staff must meet Highly Qualified Teacher and Paraprofessional requirements. Charter schools may be exempt from some credentialing requirements, which authorizers should consider when evaluating schools against this measure.

### Measure 4c

Is the school meeting teacher and other staff credentialing requirements?

#### *Meets Standard:*

The school materially complies with applicable laws, rules, regulations, and provisions of the charter contract (including the federal Highly Qualified Teacher and Paraprofessional requirements within Title II of the Elementary and Secondary Education Act [ESEA]) relating to state certification requirements.

#### Data source

Authorizers should evaluate this measure through reports to the authorizer and/or the State Education Agency. Through an annual report, the authorizer may require the charter school to submit a list of their staff's license numbers for review. The State Education Agency likely already collects this information, in which case the authorizer could work with the State Education Agency to verify compliance with this measure.

## Employee Rights

Charter schools must follow applicable employment law, which is vast and complex. Authorizers often find that this measure, in particular, may be administratively burdensome to oversee, and authorizers may need to assume a school's compliance unless there is evidence to the contrary. Note that allegations of violations of employee rights may not be evidence of noncompliance. Authorizers should not take sole responsibility for investigating allegations and should use the investigations and rulings of third parties to substantiate ratings of "Does Not Meet Standard" or "Falls Far Below Standard." Despite challenges in evaluating a school's performance on this measure, we include this measure in the Performance Framework because 1) it is an existing legal requirement, 2) its inclusion communicates to schools that the authorizer expects schools to be in compliance, and 3) it provides the authorizer with a place to capture noncompliance in the event it can be substantiated.

### Measure 4d

Is the school complying with laws regarding employee rights?

#### *Meets Standard:*

The school materially complies with applicable laws, rules, regulations, and provisions of the charter contract relating to employment considerations, including those relating to the Family Medical Leave Act, the Americans with Disabilities Act, and employment contracts. The school does not interfere with employees' rights to organize collectively or otherwise violate staff collective bargaining rights.

#### Data source

Authorizers may evaluate this measure through board assurance of compliance and/or third-party reports such as court rulings.

## Background Checks

Charter schools must conduct background checks, or ensure background checks have been completed, as an assurance of credentialing for certain employees within the school. Additionally, state law or the authorizer may require through the charter contract that certain individuals in the charter community, such as volunteers and board members, submit to background checks.

### Measure 4e

#### Is the school completing required background checks?

##### *Meets Standard:*

The school materially complies with applicable laws, rules, regulations, and provisions of the charter contract relating to background checks of all applicable individuals (including staff and members of the charter community, where applicable).

#### Data source

Authorizers may evaluate this measure through assurance of compliance by the board and periodic record checks either annually or during site visits. The authorizer may elect to review a random sample of files for a variety of individuals, such as teachers, volunteers, board members, etc.

## Indicator 5: School Environment

### Facilities and Transportation

Authorizers should ensure that the school's physical plant is safe for occupancy as a school and that the school complies with laws related to the provision of transportation services.

### Measure 5a

#### Is the school complying with facilities and transportation requirements?

##### *Meets Standard:*

The school materially complies with applicable laws, rules, regulations, and provisions of the charter contract relating to the school facilities, grounds, and transportation, including but not limited to:

- Americans with Disabilities Act (ADA)
- Fire inspections and related records
- Viable certificate of occupancy or other required building use authorization
- Documentation of requisite insurance coverage
- Student transportation

#### Data source

Authorizers may evaluate this measure through assurance of compliance by the board, review of relevant documentation, and periodic verification of compliance, possibly during site visits.

## Health and Safety

Charter schools must meet state and federal health and safety requirements related to health services and food services, whether these services are provided by a Local Education Agency or contracted independently. Some charter schools, depending on their legal structures, may access additional health and/or safety services from traditional school districts. The authorizer, when adapting this framework, should consider including other district services that charter schools may be accessing.

### Measure 5b

Is the school complying with health and safety requirements?

#### *Meets Standard:*

The school materially complies with applicable laws, rules, regulations, and provisions of the charter contract relating to safety and the provision of health-related services, including but not limited to:

- Appropriate nursing services and dispensing of pharmaceuticals
- Food service requirements
- Other district services, if applicable

#### Data source

Authorizers may evaluate this measure through assurance of compliance by the board and periodic verification of compliance during site visits and/or third-party reviews.

## Information Management

Both charter school boards and school management must appropriately handle sensitive information, which often includes student-level data protected under federal law. Additionally, charter school boards may receive requests for documentation from stakeholders or the media and must comply with Freedom of Information law. State law may also stipulate the reporting or distribution of information to stakeholders either through disclosure on the school's website or by direct distribution, which may be the case for charter school annual reports. Authorizers should evaluate a school's adherence to the various requirements for information management and distribution.

### Measure 5c

Is the school handling information appropriately?

#### *Meets Standard:*

The school materially complies with applicable laws, rules, regulations, and provisions of the charter contract relating to the handling of information, including but not limited to:

- Maintaining the security of and providing access to student records under the Family Educational Rights and Privacy Act and other applicable authorities
- Accessing documents maintained by the school under the state's Freedom of Information law and other applicable authorities
- Transferring of student records
- Proper and secure maintenance of testing materials

**Data source**

Authorizers may evaluate this measure through board assurance of compliance, authorizer investigation, and/or review of third-party investigations.

## Indicator 6: Additional Obligations

### Additional Obligations

Designed to be a “catch-all,” this measure ensures that the school is held accountable to obligations that are not explicitly stated in the Organizational Framework but that the school is held accountable to through some other account. Additionally, this captures any new requirements that may come after both parties agree to the performance agreements. For example, if state laws change to require charter school board training, which was not required at the time of the agreement, the authorizer would use this section of the framework to evaluate the charter school against that new requirement.

Authorizers should use this measure with caution and generally limit additional obligations to those that are established in law, required by other accountability agencies (e.g., court decisions), or are the basis for intervention set forth by an authorizer’s finding of unsatisfactory performance.

**Measure 6a**

Is the school complying with all other obligations?

***Meets Standard:***

The school materially complies with all other material legal, statutory, regulatory, or contractual requirements contained in its charter contract that are not otherwise explicitly stated herein, including but not limited to requirements from the following sources:

- Revisions to state charter law
- Consent decrees
- Intervention requirements by the authorizer
- Requirements by other entities to which the charter school is accountable (e.g., State Education Agency [SEA])

**Data source**

Sources to verify compliance will depend on the requirement being evaluated.

## Conclusion

The Organizational Performance Framework is designed to evaluate schools against existing requirements in law, rules, regulations, or charter contracts, not to create new requirements for schools. While schools would be accountable for compliance with most existing requirements even without the Organizational Framework, the framework allows the authorizer to transparently communicate the primary areas for compliance through one document. The Core Organizational Performance Framework should provide a strong starting point for developing and implementing an Organizational Framework, but authorizers must adapt it to their own contexts. Once the framework is complete, authorizers will also need to develop a monitoring and evaluation plan based on their own authorizing values, capacity, and local environments.



# Use of the Core Performance Framework

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## Use of the Core Performance Framework

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The Performance Framework should be the backbone of an authorizer's accountability system. This section provides an overview of how authorizers should collect evidence of performance or compliance and evaluate schools at least annually, monitor schools throughout their charter terms, report to schools and the public annually, intervene in schools that do not meet expectations, and make high-stakes decisions, including whether to renew, non-renew, or revoke a school's charter or to expand or replicate a school. The Academic, Financial, and Organizational Performance Frameworks may be utilized slightly differently for some accountability activities; authorizers should refer to the [Considerations for Using the Core Academic Performance Framework](#), [Considerations for Using the Core Financial Performance Framework](#), and [Considerations for Using the Core Organizational Performance Framework](#) sections in this guidance document for more detailed information on these differences.

### Collecting Evidence and Evaluating Schools on the Performance Framework

Authorizers must determine what evidence to collect in order to evaluate schools using the Performance Framework. Information for the Academic Performance Framework is generally available once a year, and while authorizers should be collecting and evaluating financial performance information regularly throughout the year, the financial audit used for a year-end Financial Performance Framework assessment is completed only annually. Meanwhile, information for the Organizational Framework is often available throughout the year. Authorizers should develop reporting calendars to ensure that the authorizer and its schools have a clear, common understanding of expectations. Ultimately, authorizers should evaluate schools against the Performance Framework at least annually.

### Collecting Evidence and Evaluating Schools on the Academic Performance Framework

The majority of the information needed for the Academic Performance Framework comes from state testing data, which is generally available in the fall or winter following spring testing. The following data elements are needed to complete the Academic Performance Framework analysis:

- Growth measures for charter schools, and possibly all schools in the state, where available
  - Subgroup or current non-proficient student growth measures for charter schools, and possibly all schools in the state, where available
  - Overall proficiency rates for all schools in the state
  - District and state average proficiency rates
  - District and state average proficiency rates for Free or Reduced-price Lunch (FRL), English Language Learners (ELL), and special education students (SPED), as well as for students in any other relevant subgroups
  - Subgroup proficiency rates for FRL, ELL, and SPED students, as well as for students in any other relevant subgroups, for all schools in the state, where eligible subgroups exist
  - FRL, ELL, and SPED enrollment, as well as enrollment for other relevant subgroups, for all schools in the state (used for similar schools' selection, if applicable)
  - SAT results and participation rates, where available
  - ACT results and participation rates, where available
  - Graduation rates
-

- College attendance and persistence rates, where available
- Remediation rates for charter school graduates enrolled in post-secondary institutions, where available
- Student-level assessment data, if available (needed only if growth measures are calculated by the authorizer)
- Data for mission-specific measures, where applicable

As most academic performance data is only available once a year, authorizers should evaluate schools against the Academic Performance Framework on an annual basis.

## Collecting Evidence and Evaluating Schools on the Financial Performance Framework

All authorizers implementing the Financial Performance Framework must require the charter schools they authorize to submit to an independent annual financial audit using accrual-based accounting. Cash-based audits will not provide the correct information needed for the framework. Authorizers will specifically need the following information to use the framework:

- Audited balance sheet
- Audited income statement
- Audited statement of cash flows
- Notes to the audited financial statements
- Charter school board-approved budget with enrollment targets
- Actual enrollment information
- Annual debt schedule indicating the total principal and interest due

In order to effectively conduct ongoing monitoring of financial stability, authorizers should also regularly require schools to provide current financial information in addition to audited information. Examples of current data that should be collected include monthly or quarterly balance sheets and cash flow statements. See the [Ongoing Monitoring](#) section for more information. As discussed throughout this document, it is critical that authorizers do not rely only on audited financial statements especially when making high-stakes decisions, conducting ongoing monitoring, and assessing whether a school is in immediate financial distress.

### Schools that may be in immediate financial distress

Schools that fail the near-term indicators are at high risk for financial distress or closure. As such, they require additional monitoring and/or corrective action. Authorizers should determine the severity of the problem, assess changes in the school's financial performance and health since the date of the audited financial statements, and require that the school take actions to stabilize its financial position.

### Schools experiencing negative financial trends

Schools may be failing the sustainability indicators for multiple reasons. They may be trending toward financial distress, or they could have a sound rationale for failing to meet the standards in a given year. For example, a school that is otherwise financially sound could fail to meet the cash flow measure if it made a one-time large capital investment. Authorizers need to determine if the school's failure to meet the standards was a result of a one-time event or represents an underlying structural problem with the school's financial performance. To this end, authorizers should collect and analyze additional information from the school and perform more in-depth due diligence.

### Additional follow up

If a school receives two or more ratings of “Does Not Meet Standard” or one or more ratings of “Falls Far Below Standard” based on an initial analysis of the school’s audit, authorizers should conduct a more comprehensive review of the school’s finances. It is critical to conduct additional analysis before making high-stakes decisions, as information used to develop initial findings may be dated, given the lag in audited financial data, or it may not tell the whole story of the school’s financial health. Authorizers should consider requesting the following information for follow-up analysis:

- Year-to-date unaudited financial statements
- Year-to-date budget variance reports
- Updated budget projections for the remainder of the fiscal year

This information will help the authorizer to better understand the short- and long-term viability of the school. In addition, authorizers may wish to request additional information that is specific to the standard that the school failed to meet. It is important to note that any interim financial information will not be audited, and thus its accuracy is not guaranteed.

If additional information is needed regarding a school’s financial health, it may be necessary to contact the school’s auditor, who often has an ongoing relationship and/or dialogue regarding plans to address financial issues and general financial sustainability. Please note that although the auditor works closely with the school, auditors are independent and thus able to provide an unbiased evaluation of the school’s finances.

The following chart provides examples of additional information an authorizer could request as part of a comprehensive review for schools that fall below the standard. The chart includes additional information to request for the comprehensive review and what to look for in the additional data to identify signs of progress toward a more financially healthy school.

| Measure                                 | Additional Information to Request   | Look For   |
|---|---|--|
| <b>1a</b><br><b>Current Ratio</b>       | Monthly financial statements  | Monthly current ratio trending upwards   |
| <b>1b</b><br><b>Days Cash</b>           | Actual to-date cash flow and cash flow projections through the end of the fiscal year<br>Monthly financial statements | Increases in unrestricted cash and days cash on hand approaching the target<br><i>Note: It is important to review the cash flow monthly due to irregular funding streams</i> |
| <b>1c</b><br><b>Enrollment Variance</b> | Budget revised to reflect lower enrollment<br>Monthly (new) budget variance reports                                   | Budget demonstrates a net surplus and few, if any, variances are present<br><i>Note: Review that the school has adjusted staffing expenses to align with enrollment</i>      |
| <b>1d</b><br><b>Debt Default</b>        | Copies of default-related documents the school received from the lender   | Proof that the school is no longer in default, the lender has waived covenants, or the school has a plan to meet the covenants   |
| <b>2a</b><br><b>Total Margin</b>        | Revised budget<br>Monthly (new) budget variance report  | Budget demonstrates a net surplus and few, if any, variances are present   |

| Measure   | Additional Information to Request  | Look For   |
|---|--|--|
| <b>2b</b><br><b>Debt to Asset Ratio</b>         | Action plan and updated budget to increase the school's net assets<br>Monthly financial statements | Monthly Debt to Asset Ratio trending upward<br>Alignment among the action plan, budget, and financial statements |
| <b>2c</b><br><b>Cash Flow</b>                   | Actual to-date cash flow and cash flow projections through the end of the fiscal year              | Increases in cash balance over the course of the year  |
| <b>2d</b><br><b>Debt Service Coverage Ratio</b> | Revised budget<br>Monthly (new) budget variance report   | Budget demonstrates a net surplus such that the debt service coverage ratio is greater than 1.1                  |

The authorizer should:

1. Contact the school's governing board, executive director, and finance director (or similar personnel) to inform them of their school's status
2. Request up-to-date financial information from the school as the year-end framework analysis uses audited information, which requires a minimum lag time of four to six months for the audit to be finalized
3. Run the up-to-date (interim) financial information through the framework; current information may reveal steps the school has taken to mitigate any issues the framework highlighted, but it is important to note that this information has not been audited and therefore does not have the same level of credibility<sup>21</sup>
4. Inquire about the measures of concern with the executive and finance directors to identify any strategies employed to mitigate issues or strategic choices the school made with the understanding that their financial stability would be compromised for a period of time (e.g., invested in a new building through heavy debt financing in the year of concern, thus severely impacting ratings on any balance sheet measures)

Authorizers should note that when a school qualifies for an additional review it may be either in immediate distress, financially trending negatively, both, or neither. The school could have made a strategic financial decision that resulted in ratings that qualified it for additional review, but upon additional questioning has sufficient reasons for the financial results in the given year and is not in immediate distress or negative financial trending. Authorizers can often validate reasoning provided regarding large events (significant purchase, natural disaster, etc.) in the notes to the financial statements from the prior year, which indicate any significant items shortly after year end.

## Collecting Evidence and Evaluating Schools on the Organizational Performance Framework

The data required for an authorizer to use the Organizational Performance Framework may not be the same across authorizers. Authorizers should determine the amount of evidence that is necessary to determine whether the school is meeting each target and assess staff capacity when deciding how best to evaluate school organizational performance. Some measures in the Organizational Framework require periodic monitoring to ensure compliance, while others can be analyzed annually during site visits or through reports submitted to the authorizer. Others still may only require an assurance of compliance by the charter school board but may require follow up if concerns are raised.

Due to the complexity in verifying compliance with some metrics, evidence of compliance may be determined only after the collection and analysis of multiple data points. For example, the authorizer may periodically evaluate whether a school is compliant with special-education requirements by gathering evidence through

<sup>21</sup> Authorizers should be aware that interim financial data may be reported on an accrual, modified accrual, or cash basis, while financial audit data are reported on a full accrual basis. Results of the analysis may be different based on the reporting method and not the school's financial performance. It may be useful for the authorizer to seek guidance from the school's auditor to better understand the reporting methods used. For more information on analyzing interim financial data, see the section [Ongoing Monitoring](#).

multiple sources at different points in the school year (e.g., the authorizer may annually verify compliance by review of special-education audits conducted by the State Education Agency as well as through site visit observations and analysis of school records).

The sections below outline common ways that authorizers may collect data to evaluate charter schools' organizational performance, beginning with the least intensive approach. Authorizers will have to determine which approach is most appropriate for evaluating each section of the Organizational Framework based on their authorizing values, capacity, and local environments.

### **Assurance of compliance by the charter board**

The Organizational Framework provides a space for the authorizer to report any credible cases of noncompliance in areas where it may not routinely evaluate the school. The authorizer should require that the school maintain a file of official assurance of compliance by the charter school board. This documentation by the charter board provides an assurance to the authorizer that the board is aware of its legal obligations to the organization. The charter school board should approve this document annually. Accompanying this assurance should be evidence of compliance or direct reference to evidence (e.g., reference to board minutes or policies, reference to school procedures, or certificates). The assurance and evidence could be organized in a file or binder that the authorizer can access at the school site upon request.

The authorizer should review the file at least annually or when deemed necessary (e.g., the authorizer may review this report and request follow-up information on some measures during an annual site visit). For instance, an authorizer may require that the charter school board assure that it is compliant with employment law. Evidence of compliance would include the board-approved assurance and would be verified annually by the authorizer; in this case, compliance would be assumed unless determined otherwise. A complaint to the authorizer may warrant more direct review or investigation of an issue, but the burden of providing evidence of compliance lies with the charter school board that has assured compliance to the authorizer.

### **Required reporting**

The authorizer may also require that the charter school report or verify compliance to the authorizer, in which case evidence of compliance would be at the disposal of the authorizer for reference during monitoring. For example, the authorizer may require that the charter school submit a list of teachers' proof of credentials on an annual basis. Note, however, that the authorizer should be careful to verify the accuracy and quality of self-reported data.

Excessive required reports may be burdensome on both the school and authorizer and could cause the authorizer to spend more time and resources monitoring reporting requirements than evaluating the school's performance outcomes. To ease the burden, the authorizer should establish a calendar of required reports to clearly communicate regular reporting deadlines to its charter schools. The calendar should outline which reports the authorizer requires, the form the reports should take, and the point(s) in the year when reports are due to the authorizer.

### **Third-party reviews**

Another way to verify compliance is to seek reviews from a third-party reviewer (e.g., an authorizer may rely on the special-education division of the State Education Agency for part of their assessment of compliance with special-education laws). This allows for the authorizer to access expert opinions while at the same time reducing redundancy in review and evaluation of the school, which could tend to lower charter school autonomy. Another form of third-party review could be the hiring of a consultant with the necessary expertise to verify

compliance. For instance, if an authorizer through initial review has reasonable suspicion of noncompliance with graduation requirements, it may hire a consultant to review a school's transcripts, credit assignments, and written graduation requirements.

### Observed practice

The authorizer may verify compliance for certain measures in the Organizational Framework through direct observation. For example, the authorizer may observe mandatory state assessments to ensure compliance with required procedures. If the authorizer seeks verification in this form, then it is critical that the authorizer has the capacity and expertise to appropriately evaluate performance. Authorizers should be careful of using this type of monitoring except when necessary and should, wherever possible, seek additional evidence to substantiate observed practice.

### Investigations

At times authorizers may receive complaints or assertions from individuals that a school is not in compliance. The authorizer should generally refer the complainant to the charter school board, which is responsible for investigating such cases. However, from time to time the authorizer may receive complaints that it must investigate directly, especially if the complaint is a major infraction (e.g., school leadership is accused of cheating on state assessments) or if it involves the charter school board (e.g., accused violations of open meeting law). In some instances, the authorizer itself may be required by law to take action or notify appropriate authorities, including the State Education Agency, of its findings. The Organizational Framework allows space for the authorizer to investigate potential grievances and determine whether or not the school is meeting organizational expectations.

## Ongoing Monitoring

In addition to collecting evidence and evaluating schools on the Performance Framework on an annual basis, authorizers will need to determine what additional monitoring is necessary to oversee schools. Authorizers may consider differentiating monitoring based on schools' performance on the Performance Frameworks. For example, schools that consistently meet or exceed expectations may earn additional autonomy and experience less monitoring than those that fail to meet expectations.

### Ongoing Academic and Organizational Performance Framework Monitoring

The Academic Performance Framework was intentionally designed to evaluate a school's academic outcomes, rather than their educational processes. In the same spirit, the Organizational Performance Framework is meant to evaluate a school's compliance with existing requirements and to consider organizational processes only to the extent that they are mandated by law, rules, or regulations. (See the [Collecting Evidence and Evaluating Schools on the Organizational Performance Framework](#) section for more information on monitoring strategies.) However, even though many educational or organizational process measures may not be appropriate for performance-based accountability, they retain a critical place in school oversight. Authorizers can use process-related information gained from site visits and other means for several purposes, including:

- Monitoring schools that may not yet have sufficient outcome or compliance data
- Determining the degree to which issues reflected in the Performance Framework are systemic
- Providing supplemental information for high-stakes decisions

The performance of schools on the Performance Framework should drive authorizers' decisions, but additional information can serve as a useful supplement, particularly when authorizers are making high-stakes decisions such as non-renewal or revocation. Collection of process-related information can be resource-intensive for both authorizers and schools; therefore, authorizers should focus resources first on collecting necessary performance-focused data to populate the Performance Framework and then on collecting additional information as warranted.

## Ongoing Financial Performance Framework Monitoring

Authorizers should conduct general monitoring of schools' finances by requiring submission of reporting on an interim basis more frequently than the annual audit. Because there is a significant lag between the school's year end and when the authorizer receives the audit, year-end Financial Performance Framework assessment is indicative of performance from at least four to six months back. Using audited financials for the comparative testing is important for data accuracy and consistency, but ongoing monitoring can assist the authorizer in identifying pressing financial concerns. The extent and frequency of this monitoring, however, should be carefully determined in order to maintain the balance between oversight and autonomy.

The most useful financial reports for the authorizer to review on a periodic (generally quarterly) basis are:

- Income statement and balance sheet showing year-to-date actual, year-to-date budget, variance, and year-end budget
- Year-to-date statement of cash flows and cash flow projection through year end

Interim reviews are key to identifying new and unresolved problems, as well as items that, due to timing of the audit, may not have triggered a review in the framework. Because a number of the measures include balance sheet figures (a snapshot of a point in time), these measures can be manipulated, intentionally or unintentionally, due to timing. For example, management may choose not to pay a large invoice before year end to inflate its cash balance, or revenue from the state may come just before year end in one year and after in another. Interim reviews will assist the authorizer in avoiding undue reliance on what might be skewed data.

Because of the potential for different bases of accounting, as well as the impact of timing on many of the measures, authorizers should be aware of potential inaccuracies of data when using the framework on an interim basis. The measures may be used to identify major discrepancies from targets, but identifying large budget variances to discuss with management can also serve as a useful, and less time-intensive, general monitoring tool.

## Annual Reporting

Each year and at the time of renewal, the authorizer should report on the findings of its evaluation of the school's performance against the academic, financial, and organizational expectations. This report should clearly demonstrate to both charter schools and the public how each school has performed on the Performance Framework. The annual report acts as an important tool to notify schools of their strengths and areas for improvement so that schools understand where they need to improve and are not surprised by intervention, revocation, or non-renewal. The report also gives transparency to charter school accountability and provides important information about charter school quality to the public as a whole, but in particular to students and families who are searching for a high-quality school. The annual report also provides an opportunity for the authorizer to document the school's shortcomings, should it need evidence of systemic issues with organizational effectiveness as a reason for recommending closure.

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The annual report should provide a summary assessment of a school's performance on each of the three Performance Framework sections. See the [Considerations for Using the Core Academic Performance Framework](#) for more information on giving schools a final academic rating. Also see the [Annual review and reporting](#) section of the Financial Performance Framework for more information on giving schools final financial performance ratings based on follow-up analysis.

## Intervention

Authorizers should have comprehensive intervention policies that guide their actions if a charter school is not meeting authorizer expectations. The interventions should complement the Performance Frameworks, be tied to the charter contract, and allow the authorizer to take action if the school does not meet expectations or progress at a pace that is satisfactory to the authorizer.

It is important to note that the authorizer must maintain an “arm’s length” from the charter school during periods of intervention. Dictating a specific means of remedying a problem may hurt the authorizer’s ability to make an impartial decision on renewal or revocation. Below are some examples of interventions that authorizers could employ when they find a school is not meeting organizational expectations.

### Notice of concern

Regardless of whether an authorizer requires specific action by the charter school, it must communicate its concerns in a formal way that clearly states what the authorizer deems as unsatisfactory. To maintain transparency, the authorizer’s findings should be aligned with the expectations outlined in the Performance Framework. Documentation of such concerns is critical for two reasons: 1) it provides the charter school with feedback on its performance and allows for transparent communication of expectations, and 2) it allows the authorizer to maintain a historical record of performance to help inform its accountability decisions.

### Corrective action

Beyond communicating a concern, the authorizer should require the school to take corrective action in order to remedy the deficiency. The authorizer should dictate the timeframe in which the charter school should improve its performance or come into compliance, and then reevaluate the school’s adherence to expectations.

The authorizer may or may not choose to set forth specific requirements for corrective action. However, as noted earlier, an authorizer should use caution when requiring the charter school to act in a specific way, careful not to impede on the charter school’s autonomy and the authorizer’s ability to make impartial accountability decisions.

There are a number of different actions that the authorizer could require of a charter school. The authorizer may require that the charter school review its policies, investigate the infraction or poor performance and report its findings, or seek technical assistance outside the organization. If the infraction or performance requires time to correct, the authorizer may require the charter school to develop a plan to come into compliance that includes periodic reports on progress to the authorizer.

It is critical that the authorizer clearly state its expectation that the charter school increase performance or come into compliance within the timeframe determined by the authorizer. This allows the authorizer to hold the charter school accountable and also provides the authorizer the opportunity to reevaluate performance and document progress toward meeting the expectations in the Performance Framework.

The authorizer should be aware that in some instances when the school is below the standard, particularly in the case of non-compliance with components of the Organizational Performance Framework, the authorizer may be required to provide notice to the State Education Agency or another public body, as a finding may require action outside the purview of the authorizer.

### Probation

If a school's performance is far below standards or performance does not improve over time, the authorizer may choose to place the school on probation. The authorizer might increase the frequency and depth of monitoring activities, including additional reporting and more frequent site visits, depending on the situation. Schools that do not improve while on probation may be considered for revocation or non-renewal.

## High-Stakes Decision Making

The Performance Framework should be the primary tool for making high-stakes decisions, such as renewal, non-renewal, closure, or replication. Authorizers should consider the collective record of a school's academic, financial, and organizational performance when making high-stakes decisions, though academic performance will be the most important factor in most decisions.<sup>22</sup> If a school is not providing a high-quality education to students, it has no business being a school. However, if a school is high performing academically but does not meet all standards for financial performance, its authorizer might determine that the school should continue to operate until it comes to a point of being unable to continue quality operations. Similarly, if a school is high-performing academically but is not in compliance with all of the organizational expectations, but non-compliance is not severe or systemic, the authorizer may require that the school come into compliance but may not immediately choose to close the school. In these cases, authorizers should use the evaluation of financial or organizational performance as a way to communicate unsatisfactory performance, as a basis for intervention, or as secondary evidence when making the case for closure. Only when the school falls far below the standard, which would indicate major concerns with financial viability or organizational effectiveness, should an authorizer consider findings on the Financial or Organizational Performance Frameworks as the primary reasons for non-renewal or revocation. Regardless of the point in the life of the charter, whether during an interim review or at the time of renewal, schools that have multiple occurrences where they fall below the standards should be considered for non-renewal or revocation, especially if these instances indicate that the school may not have the financial resources to provide a quality program through the end of the school year, put students in danger, indicate pervasive issues within the charter school, or are egregious in nature. At the other extreme, schools that consistently meet or exceed Performance Framework expectations should be considered for replication or expansion.

At the end of a charter term, the authorizer should analyze both static and trend data related to academic, financial, and organizational performance using the Performance Framework. It is important to analyze whether the school's performance in any one area is trending upward or downward, as that may impact both intervention and renewal decisions. A school may show a pattern of sporadic unsatisfactory performance throughout the life of the charter and in the most recent year, particularly as it relates to financial or organizational performance. In this case, the authorizer must evaluate the school's financial and organizational effectiveness and determine whether the issues are systemic and whether the school is likely to remain unstable in the next charter term. Ultimately, a quality authorizer, "Does not make renewal decisions, including granting probationary or short-term renewals, on the basis of political or community pressure or solely on promises of future improvement."<sup>23</sup>

<sup>22</sup> In order to comply with the federal government's Charter Schools Program (CSP) assurances, State Education Agencies (SEAs) must ensure that they have state law, regulations, or other policies that direct authorized public charter agencies to use increases in student academic achievement for all groups of students described in section 1111(b)(2)(C)(v) of the Elementary and Secondary Education Act (ESEA) as the most important factor when determining to renew or revoke a school's charter. Non-SEA authorizers should work with their SEAs to ensure that the SEA complies with this and other CSP assurances. The CSP assurances can be accessed at <https://www2.ed.gov/programs/charter2011/application-package.pdf>.

<sup>23</sup> *Principles & Standards for Quality Charter School Authorizing*. National Association of Charter School Authorizers, (2012).

## Conclusion

Developing and adopting a Performance Framework is only the first step in creating and implementing a high-quality charter school accountability system. Authorizers must also develop policies and practices for evaluating schools on the Performance Framework, monitoring schools on an ongoing basis, reporting on schools annually, intervening in schools when necessary, and making high-stakes decisions. While implementation may not be easy or immediate, it is critical in order for authorizers to hold schools accountable and ultimately develop a higher-performing portfolio of charter schools.





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# Appendix: Performance Framework

## Academic Performance Framework

The targets denoted with brackets in the measures below were developed based on experience working with authorizers during the pilot for the Performance Frameworks. Individual authorizers should develop their own specific targets.

### 1. State and Federal Accountability Systems

|  |
|--|
| <p><b>Measure 1a</b><br/>Is the school meeting acceptable standards according to existing state grading or rating system?</p>  |
| <p><b>Exceeds Standard:</b><br/><input type="checkbox"/> School received the highest grade or rating (A or equivalent) from the state accountability system</p>      |
| <p><b>Meets Standard:</b><br/><input type="checkbox"/> School received a passing grade or rating according to the state accountability system</p>                    |
| <p><b>Does Not Meet Standard:</b><br/><input type="checkbox"/> School did not receive a passing grade or rating according to the state accountability system</p>     |
| <p><b>Falls Far Below Standard:</b><br/><input type="checkbox"/> School identified for intervention or considered failing by the state accountability system</p>     |
| <p><b>Measure 1b</b><br/>Is school meeting targets set forth by state and federal accountability systems?</p>  |
| <p><b>Exceeds Standard:</b><br/><input type="checkbox"/> School met [100 percent] of the Annual Measureable Objectives (AMOs) set by the state</p>                   |
| <p><b>Meets Standard:</b><br/><input type="checkbox"/> School met [80–99 percent] of the Annual Measureable Objectives (AMOs) set by the state</p>                   |
| <p><b>Does Not Meet Standard:</b><br/><input type="checkbox"/> School met [60–79 percent] of the Annual Measureable Objectives (AMOs) set by the state</p>           |
| <p><b>Falls Far Below Standard:</b><br/><input type="checkbox"/> School met [fewer than 60 percent] of the Annual Measureable Objectives (AMOs) set by the state</p> |
| <p><b>Measure 1c</b><br/>Is school meeting state designation expectations as set forth by state and federal accountability systems?</p>                              |
| <p><b>Exceeds Standard:</b><br/><input type="checkbox"/> School was identified as a “Reward” school</p>  |
| <p><b>Meets Standard:</b><br/><input type="checkbox"/> School does not have a designation</p>  |
| <p><b>Does Not Meet Standard:</b><br/><input type="checkbox"/> School was identified as a “Focus” school</p>   |
| <p><b>Falls Far Below Standard:</b><br/><input type="checkbox"/> School was identified as a “Priority” school</p>  |

**Measure 1d**

Did school meet Adequate Yearly Progress (AYP) requirements?

**Meets Standard:** School met AYP**Does Not Meet Standard:** School did not meet AYP

## 2. Student Progress Over Time (Growth)

**Measure 2a**

Are students making sufficient annual academic growth to achieve proficiency (criterion-referenced growth)?

**Exceeds Standard:** [At least 85 percent] of students are making sufficient academic growth to achieve, maintain, or exceed proficiency**Meets Standard:** [Between 70–84 percent] of students are making sufficient academic growth to achieve or maintain proficiency**Does Not Meet Standard:** [Between 50–69 percent] of students are making sufficient academic growth to achieve proficiency**Falls Far Below Standard:** [Fewer than 50 percent] of students are making sufficient academic growth to achieve proficiency**Measure 2b**

Are students making expected annual academic growth compared to their academic peers (norm-referenced growth)?

**Exceeds Standard:** [At least 80 percent] of students are making expected growth**Meets Standard:** [Between 65–79 percent] of students are making expected growth**Does Not Meet Standard:** [Between 50–64 percent] of students are making expected growth**Falls Far Below Standard:** [Fewer than 50 percent] of students are making expected growth**Measure 2c**

Is the school increasing subgroup academic performance over time?

**Exceeds Standard:** [At least 85 percent] of students in eligible subgroups are making sufficient academic growth to achieve, maintain, or exceed proficiency**Meets Standard:** [Between 70–84 percent] of students in eligible subgroups are making sufficient academic growth to achieve or maintain proficiency**Does Not Meet Standard:** [Between 50–69 percent] of students in eligible subgroups are making sufficient academic growth to achieve proficiency**Falls Far Below Standard:** [Fewer than 50 percent] of students in eligible subgroups are making sufficient academic growth to achieve proficiency

### 3. Student Achievement (Status)

|   |
|---|
| <p><b>Measure 3a</b><br/>Are students achieving proficiency on state examinations?</p>  |
| <p><b>Exceeds Standard:</b><br/><input type="checkbox"/> [90 percent or more] of students met or exceeded proficiency</p>   |
| <p><b>Meets Standard:</b><br/><input type="checkbox"/> [Between 80–89 percent] of students met or exceeded proficiency</p>  |
| <p><b>Does Not Meet Standard:</b><br/><input type="checkbox"/> [Between 70–79 percent] of students met or exceeded proficiency</p>  |
| <p><b>Falls Far Below Standard:</b><br/><input type="checkbox"/> [Fewer than 70 percent] of students met or exceeded proficiency</p>  |
| <p><b>Measure 3b</b><br/>Are students in demographic subgroups achieving proficiency on state examinations compared to state subgroups?</p>   |
| <p><b>Exceeds Standard:</b><br/><input type="checkbox"/> School's average subgroup proficiency rate [exceeds the average state performance of students in the same subgroup in the same grades by 15 or more percentage points OR subgroups in the school are outperforming the average state non-subgroup proficiency rates]</p> |
| <p><b>Meets Standard:</b><br/><input type="checkbox"/> School's average subgroup proficiency rate [meets or exceeds the average state performance of students in the same subgroup in the same grades by up to 15 percentage points]</p>  |
| <p><b>Does Not Meet Standard:</b><br/><input type="checkbox"/> School's average subgroup proficiency rate [is less than the average state performance of students in the same subgroup in the same grades by 1–14 percentage points]</p>  |
| <p><b>Falls Far Below Standard:</b><br/><input type="checkbox"/> School's average subgroup proficiency rate [is less than the average state performance of students in the same subgroup in the same grades by 15 or more percentage points]</p>  |
| <p><b>Measure 3c</b><br/>Are students performing well on state examinations in comparison to students at schools serving similar populations?</p>   |
| <p><b>Exceeds Standard:</b><br/><input type="checkbox"/> School's average proficiency rate [exceeds the average performance of students in schools serving similar populations in the same grades by 15 or more percentage points]</p>  |
| <p><b>Meets Standard:</b><br/><input type="checkbox"/> School's average proficiency rate [meets or exceeds the average performance of students in schools serving similar populations in the same grades by up to 15 percentage points]</p>   |
| <p><b>Does Not Meet Standard:</b><br/><input type="checkbox"/> School's average proficiency rate [is less than the average performance of students in schools serving similar populations in the same grades by 1–14 percentage points]</p>   |
| <p><b>Falls Far Below Standard:</b><br/><input type="checkbox"/> School's average proficiency rate [is less than the average performance of students in schools serving similar populations in the same grades by 15 or more percentage points]</p>   |

**Measure 3d**

Are students in the school performing well on state examinations in comparison to students in schools they might otherwise attend?

**Exceeds Standard:**

School's average proficiency rate [exceeds the average performance of students in schools they might otherwise attend by 15 or more percentage points]

**Meets Standard:**

School's average proficiency rate [meets or exceeds the average performance of students in schools they might otherwise attend by up to 15 percentage points]

**Does Not Meet Standard:**

School's average proficiency rate [is less than the average performance of students in schools they might otherwise attend by 1–14 percentage points]

**Falls Far Below Standard:**

School's average proficiency rate [is less than the average performance of students in schools they might otherwise attend by 15 or more percentage points]

#### 4. Post-Secondary Readiness (Required for High Schools Only)

**Measure 4a1**

Does students' performance on the ACT and SAT reflect college readiness?

**Exceeds Standard:**

The percentage of students meeting benchmarks for ACT or SAT performance [exceeds the national average by at least 20 percent]

**Meets Standard:**

The percentage of students meeting benchmarks for ACT or SAT performance [meets or exceeds the national average by up to 20 percent]

**Does Not Meet Standard:**

The percentage of students meeting benchmarks for ACT or SAT performance [falls below the national average by up to 20 percent]

**Falls Far Below Standard:**

The percentage of students meeting benchmarks for ACT or SAT performance [falls below the national average by at least 20 percent]

**Measure 4a2**

Are students participating in the ACT or SAT?

**Exceeds Standard:**

[More than 90 percent] of students participated in the ACT or SAT

**Meets Standard:**

[70–89 percent] of students participated in the ACT or SAT

**Does Not Meet Standard:**

[50–69 percent] of students participated in the ACT or SAT

**Falls Far Below Standard:**

[Fewer than 50 percent] of students participated in the ACT or SAT

|   |
|---|
| <p><b>Measure 4b</b><br/>Are students graduating from high school?</p>  |
| <p><b>Exceeds Standard:</b><br/><input type="checkbox"/> [At least 90 percent] of students graduated from high school</p>   |
| <p><b>Meets Standard:</b><br/><input type="checkbox"/> [80–89 percent] of students graduated from high school</p>   |
| <p><b>Does Not Meet Standard:</b><br/><input type="checkbox"/> [70–79 percent] of students graduated from high school</p>   |
| <p><b>Falls Far Below Standard:</b><br/><input type="checkbox"/> [Fewer than 70 percent] of students graduated from high school</p>   |
| <p><b>Measure 4c</b><br/>Are high school graduates enrolled in post-secondary institutions in the fall following graduation?</p>  |
| <p><b>Exceeds Standard:</b><br/><input type="checkbox"/> [At least 90 percent] of high school graduates were enrolled in post-secondary institutions in the fall following graduation</p>   |
| <p><b>Meets Standard:</b><br/><input type="checkbox"/> [70–89 percent] of high school graduates were enrolled in post-secondary institutions in the fall following graduation</p>   |
| <p><b>Does Not Meet Standard:</b><br/><input type="checkbox"/> [50–69 percent] of high school graduates were enrolled in post-secondary institutions in the fall following graduation</p>   |
| <p><b>Falls Far Below Standard:</b><br/><input type="checkbox"/> [Fewer than 50 percent] of high school graduates were enrolled in post-secondary institutions in the fall following graduation</p>                                     |
| <p><b>Measure 4d</b><br/>Are high school graduates who did not enroll in post-secondary institutions after graduation employed in the fall following graduation (including military service)?</p>                                       |
| <p><b>Exceeds Standard:</b><br/><input type="checkbox"/> [More than 90 percent] of high school graduates who did not enroll in post-secondary institutions after graduation were employed in the fall following graduation</p>          |
| <p><b>Meets Standard:</b><br/><input type="checkbox"/> [70–89 percent] of high school graduates who did not enroll in post-secondary institutions after graduation were employed in the fall following graduation</p>                   |
| <p><b>Does Not Meet Standard:</b><br/><input type="checkbox"/> [50–69 percent] of high school graduates who did not enroll in post-secondary institutions after graduation were employed in the fall following graduation</p>           |
| <p><b>Falls Far Below Standard:</b><br/><input type="checkbox"/> [Fewer than 50 percent] of high school graduates who did not enroll in post-secondary institutions after graduation were employed in the fall following graduation</p> |

**Measure 4e**

Are high school graduates adequately prepared for post-secondary academic success?

**Exceeds Standard:**

School remediation rate for graduates attending post-secondary institutions [was 15 percentage points or more below the statewide remediation rate]

**Meets Standard:**

School remediation rate for graduates attending post-secondary institutions [met or fell below the statewide remediation rate by up to 15 percentage points]

**Does Not Meet Standard:**

School remediation rate for graduates attending post-secondary institutions [was up to 15 percentage points above the statewide remediation rate]

**Falls Far Below Standard:**

School remediation rate for graduates attending post-secondary institutions [was 15 percentage points or more above the statewide remediation rate]

## 5. Mission-Specific Academic Goals

**Measure 5a**

Is the school meeting mission-specific academic goals?

**Exceeds Standard:**

School surpassed its mission-specific academic goal(s)

**Meets Standard:**

School met its mission-specific academic goal(s)

**Does Not Meet Standard:**

School did not meet its mission-specific academic goal(s)

**Falls Far Below Standard:**

School fell far below its mission-specific academic goal(s)

## Financial Performance Framework

### 1. Near-Term Measures

|   |
|---|
| <p><b>Measure 1a</b><br/> <b>Current Ratio: Current Assets divided by Current Liabilities</b></p>   |
| <p><b>Meets Standard:</b></p> <p><input type="checkbox"/> Current Ratio is greater than or equal to 1.1<br/> or<br/> <input type="checkbox"/> Current Ratio is between 1.0 and 1.1 and one-year trend is positive (current year ratio is higher than last year's)</p> <p><i>Note: For schools in their first or second year of operation, the current ratio must be greater than or equal to 1.1.</i></p> |
| <p><b>Does Not Meet Standard:</b></p> <p><input type="checkbox"/> Current Ratio is between 0.9 and 1.0 or equals 1.0<br/> or<br/> <input type="checkbox"/> Current Ratio is between 1.0 and 1.1 and one-year trend is negative</p>  |
| <p><b>Falls Far Below Standard:</b></p> <p><input type="checkbox"/> Current ratio is less than or equal to 0.9</p>  |
| <p><b>Measure 1b</b><br/> <b>Unrestricted Days Cash: Unrestricted Cash divided by ((Total Expenses minus Depreciation Expense) / 365)</b></p>   |
| <p><b>Meets Standard:</b></p> <p><input type="checkbox"/> 60 Days Cash<br/> or<br/> <input type="checkbox"/> Between 30 and 60 Days Cash and one-year trend is positive</p> <p><i>Note: Schools in their first or second year of operation must have a minimum of 30 Days Cash.</i></p>   |
| <p><b>Does Not Meet Standard:</b></p> <p><input type="checkbox"/> Days Cash is between 15–30 days<br/> or<br/> <input type="checkbox"/> Days Cash is between 30–60 days and one-year trend is negative</p>  |
| <p><b>Falls Far Below Standard:</b></p> <p><input type="checkbox"/> Fewer than 15 Days Cash</p>   |
| <p><b>Measure 1c</b><br/> <b>Enrollment Variance: Actual Enrollment divided by Enrollment Projection in Charter School Board-Approved Budget</b></p>  |
| <p><b>Meets Standard:</b></p> <p><input type="checkbox"/> Enrollment Variance equals or exceeds 95 percent in the most recent year</p>  |
| <p><b>Does Not Meet Standard:</b></p> <p><input type="checkbox"/> Enrollment Variance is between 85–95 percent in the most recent year</p>  |
| <p><b>Falls Far Below Standard:</b></p> <p><input type="checkbox"/> Enrollment Variance is less than 85 percent in the most recent year</p>   |

**Measure 1d****Default****Meets Standard:**

School is not in default of loan covenant(s) and/or is not delinquent with debt service payments

**Does Not Meet Standard:**

Not applicable

**Falls Far Below Standard:**

School is in default of loan covenant(s) and/or is delinquent with debt service payments

## 2. Sustainability Measures

**Measure 2a**

**Total Margin: Net Income divided by Total Revenue**

**Aggregated Total Margin: Total Three-Year Net Income divided by Total Three-Year Revenues**

**Meets Standard:**

Aggregated Three-Year Total Margin is positive and the most recent year Total Margin is positive  
or  
 Aggregated Three-Year Total Margin is greater than -1.5 percent, the trend is positive for the last two years, and the most recent year Total Margin is positive

*Note: For schools in their first or second year of operation, the cumulative Total Margin must be positive.*

**Does Not Meet Standard:**

Aggregated Three-Year Total Margin is greater than -1.5 percent, but trend does not “Meet Standard”

**Falls Far Below Standard:**

Aggregated Three-Year Total Margin is less than or equal to -1.5 percent  
or  
 The most recent year Total Margin is less than -10 percent

**Measure 2b**

**Debt to Asset Ratio: Total Liabilities divided by Total Assets**

**Meets Standard:**

Debt to Asset Ratio is less than 0.9

**Does Not Meet Standard:**

Debt to Asset Ratio is between 0.9 and 1.0

**Falls Far Below Standard:**

Debt to Asset Ratio is greater than 1.0

**Measure 2c****Cash Flow:**

Multi-Year Cash Flow = Year 3 Total Cash – Year 1 Total Cash

One-Year Cash Flow = Year 2 Total Cash – Year 1 Total Cash

**Meets Standard:**

- Multi-Year Cumulative Cash Flow is positive and Cash Flow is positive each year  
or  
 Multi-Year Cumulative Cash Flow is positive, Cash Flow is positive in one of two years, and Cash Flow in the most recent year is positive

*Note: Schools in their first or second year of operation must have positive Cash Flow.*

**Does Not Meet Standard:**

- Multi-Year Cumulative Cash Flow is positive, but trend does not “Meet Standard”

**Falls Far Below Standard:**

- Multi-Year Cumulative Cash Flow is negative

**Measure 2d**

**Debt Service Coverage Ratio: (Net Income + Depreciation + Interest Expense) / (Annual Principal, Interest, and Lease Payments)**

**Meets Standard:**

- Debt Service Coverage Ratio is equal to or exceeds 1.1

**Does Not Meet Standard:**

- Debt Service Coverage Ratio is less than 1.1

**Falls Far Below Standard:**

- Not Applicable

## Organizational Performance Framework

The purpose of the Organizational Performance Framework is to communicate to the charter school and public the compliance-related standards that the charter school must meet. The Organizational Framework lists the standards that the charter school is already required to meet through state and federal law, rules, regulations, or the charter contract.

**NACSA's *Principles & Standards (2012)* states that**

“A Quality Authorizer implements an accountability system that effectively streamlines federal, state, and local...compliance requirements while protecting schools’ legally entitled autonomy and minimizing schools’ administrative and reporting burdens” (p. 17).

For each measure a school receives one of three ratings.

**Meets Standard:** The school materially meets the expectations outlined below.

**Does Not Meet Standard:** The school has failed to implement the program in the manner described above; the failure(s) were material, but the board has instituted remedies that have resulted in compliance or prompt and sufficient movement toward compliance to the satisfaction of the authorizer.

**Falls Far Below Standard:** The school failed to implement the program in the manner described above; the failure(s) were material and significant to the viability of the school, or regardless of the severity of the failure(s), the board has not instituted remedies that have resulted in prompt and sufficient movement toward compliance to the satisfaction of the authorizer.

### 1. Education Program

**Measure 1a**

**Is the school implementing the material terms of the education program as defined in the current charter contract?**

**Meets Standard:**

The school implemented the material terms of the education program in all material respects and the education program in operation reflects the material terms as defined in the charter contract, or the school has gained approval for a charter modification to the material terms.

**Measure 1b**

**Is the school complying with applicable education requirements?**

**Meets Standard:**

The school materially complies with applicable laws, rules, regulations, and provisions of the charter contract relating to education requirements, including but not limited to:

- Instructional days or minutes requirements
- Graduation and promotion requirements
- Content standards, including Common Core
- State assessments
- Implementation of mandated programming as a result of state or federal funding

**Measure 1c****Is the school protecting the rights of students with disabilities?*****Meets Standard:***

Consistent with the school's status and responsibilities as either a Local Education Agency (LEA) or school in a district LEA, the school materially complies with applicable laws, rules, regulations, and provisions of the charter contract (including the Individuals with Disabilities Education Act, Section 504 of the Rehabilitation Act of 1973, and the Americans with Disabilities Act) relating to the treatment of students with identified disabilities and those suspected of having a disability, including but not limited to:

- Equitable access and opportunity to enroll
- Identification and referral
- Appropriate development and implementation of Individualized Education Plans and Section 504 plans
- Operational compliance, including provision of services in the least restrictive environment and appropriate inclusion in the school's academic program, assessments, and extracurricular activities
- Discipline, including due process protections, manifestation determinations, and behavioral intervention plans
- Access to the school's facility and program to students in a lawful manner and consistent with students' IEPs or Section 504 plans
- Appropriate use of all available, applicable funding

**Measure 1d****Is the school protecting the rights of English Language Learner (ELL) students?*****Meets Standard:***

The school materially complies with applicable laws, rules, regulations, and provisions of the charter contract (including Title III of the Elementary and Secondary Education Act [ESEA] and U.S. Department of Education authorities) relating to requirements regarding English Language Learners (ELLs), including but not limited to:

- Equitable access and opportunity to enroll
- Required policies related to the service of ELL students
- Compliance with native-language communication requirements
- Proper steps for identification of students in need of ELL services
- Appropriate and equitable delivery of services to identified students
- Appropriate accommodations on assessments
- Exiting of students from ELL services
- Ongoing monitoring of exited students

## 2. Financial Management and Oversight

### Measure 2a

Is the school meeting financial reporting and compliance requirements?

#### *Meets Standard:*

The school materially complies with applicable laws, rules, regulations, and provisions of the charter contract relating to financial reporting requirements, including but not limited to:

- Complete and on-time submission of financial reports, including annual budget, revised budgets (if applicable), periodic financial reports as required by the authorizer, and any reporting requirements if the board contracts with an Education Service Provider (ESP)
- On-time submission and completion of the annual independent audit and corrective action plans, if applicable
- All reporting requirements related to the use of public funds

### Measure 2b

Is the school following Generally Accepted Accounting Principles (GAAP)?

#### *Meets Standard:*

The school materially complies with applicable laws, rules, regulations, and provisions of the charter contract relating to financial management and oversight expectations as evidenced by an annual independent audit, including but not limited to:

- An unqualified audit opinion
- An audit devoid of significant findings and conditions, material weaknesses, or significant internal control weaknesses
- An audit that does not include a going concern disclosure in the notes or an explanatory paragraph within the audit report

## 3. Governance and Reporting

### Measure 3a

Is the school complying with governance requirements?

#### *Meets Standard:*

The school materially complies with applicable laws, rules, regulations, and provisions of the charter contract relating to governance by its board, including but not limited to:

- Board policies, including those related to oversight of an Education Service Provider (ESP), if applicable
- Board bylaws
- State open meetings law
- Code of ethics
- Conflicts of interest
- Board composition and/or membership rules (e.g., requisite number of qualified teachers, ban on employees or contractors serving on the board, etc.)
- Compensation for attendance at meetings

**Measure 3b****Is the school holding management accountable?****Meets Standard:**

The school materially complies with applicable laws, rules, regulations, and provisions of the charter contract relating to oversight of school management, including but not limited to:

- (For Education Service Providers [ESPs]) maintaining authority over management, holding it accountable for performance as agreed under a written performance agreement, and requiring annual financial reports of the ESP
- (For Others) oversight of management that includes holding it accountable for performance expectations that may or may not be agreed to under a written performance agreement

**Measure 3c****Is the school complying with reporting requirements?****Meets Standard:**

The school materially complies with applicable laws, rules, regulations, and provisions of the charter contract relating to relevant reporting requirements to the school's authorizer, State Education Agency (SEA), district education department, and/or federal authorities, including but not limited to:

- Accountability tracking
- Attendance and enrollment reporting
- Compliance and oversight
- Additional information requested by the authorizer

## 4. Students and Employees

**Measure 4a****Is the school protecting the rights of all students?****Meets Standard:**

The school materially complies with applicable laws, rules, regulations, and provisions of the charter contract relating to the rights of students, including but not limited to:

- Policies and practices related to admissions, lottery, waiting lists, fair and open recruitment, and enrollment (including rights to enroll or maintain enrollment)
- The collection and protection of student information (that could be used in discriminatory ways or otherwise contrary to law)
- Due process protections, privacy, civil rights, and student liberties requirements, including First Amendment protections and the Establishment Clause restrictions prohibiting public schools from engaging in religious instruction
- Conduct of discipline (discipline hearings and suspension and expulsion policies and practices)

*Note: Proper handling of discipline processes for students with disabilities is addressed more specifically in Section 1c.*

**Measure 4b****Is the school meeting attendance goals?*****Meets Standard:***

The school materially complies with applicable laws, rules, regulations, and provisions of the charter contract relating to attendance goals.

**Measure 4c****Is the school meeting teacher and other staff credentialing requirements?*****Meets Standard:***

The school materially complies with applicable laws, rules, regulations, and provisions of the charter contract (including the federal Highly Qualified Teacher and Paraprofessional requirements within Title II of the Elementary and Secondary Education Act [ESEA]) relating to state certification requirements.

**Measure 4d****Is the school respecting employee rights?*****Meets Standard:***

The school materially complies with applicable laws, rules, regulations, and provisions of the charter contract relating to employment considerations, including those relating to the Family Medical Leave Act, the Americans with Disabilities Act, and employment contracts. The school does not interfere with employees' rights to organize collectively or otherwise violate staff collective bargaining rights.

**Measure 4e****Is the school completing required background checks?*****Meets Standard:***

The school materially complies with applicable laws, rules, regulations, and provisions of the charter contract relating to background checks of all applicable individuals (including staff and members of the charter community, where applicable).

## 5. School Environment

**Measure 5a****Is the school complying with facilities and transportation requirements?*****Meets Standard:***

The school materially complies with applicable laws, rules, regulations, and provisions of the charter contract relating to the school facilities, grounds, and transportation, including but not limited to:

- Americans with Disabilities Act (ADA)
- Fire inspections and related records
- Viable certificate of occupancy or other required building use authorization
- Documentation of requisite insurance coverage
- Student transportation

**Measure 5b****Is the school complying with health and safety requirements?*****Meets Standard:***

The school materially complies with applicable laws, rules, regulations, and provisions of the charter contract relating to safety and the provision of health-related services, including but not limited to:

- Appropriate nursing services and dispensing of pharmaceuticals
- Food service requirements
- Other district services, if applicable

**Measure 5c****Is the school handling information appropriately?*****Meets Standard:***

The school materially complies with applicable laws, rules, regulations, and provisions of the charter contract relating to the handling of information, including but not limited to:

- Maintaining the security of and providing access to student records under the Family Educational Rights and Privacy Act and other applicable authorities
- Accessing documents maintained by the school under the state's Freedom of Information law and other applicable authorities
- Transferring of student records
- Proper and secure maintenance of testing materials

## 6. Additional Obligations

**Measure 6a****Is the school complying with all other obligations?*****Meets Standard:***

The school materially complies with all other legal, statutory, regulatory, or contractual requirements contained in its charter contract that are not otherwise explicitly stated herein, including but not limited to requirements from the following sources:

- Revisions to state charter law
- Consent decrees
- Intervention requirements by the authorizer
- Requirements by other entities to which the charter school is accountable (e.g., State Education Agency [SEA])





National Association of Charter  
School Authorizers

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