GUIDE TO

PERFORMANCE FRAMEWORKS

Performance Frameworks are the accountability mechanism at the center of the charter school/authorizer relationship. This tool and its three parts—the **Academic Framework**, the **Financial Framework**, and the **Organizational Framework**—form the heart of chartering.

ABOUT NACSA

The National Association of Charter School Authorizers (NACSA) advances and strengthens the ideas and practices of authorizing so students and communities—especially those who are historically under-resourced—thrive. NACSA believes that quality authorizing is essential; that authorizers must ensure and balance access, autonomy, and accountability; and that authorizers are responsible for the overall performance of their portfolios of schools. Find out more about authorizing and NACSA at qualitycharters.org.

ABOUT THE PERFORMANCE FRAMEWORK UPDATES

NACSA's first edition of the *Core Performance Framework and Guidance* was released in 2013. NACSA created it by first researching best practices among seven model authorizers and using those findings, along with research from other education institutions, charter school funding organizations, and analysis of state laws, to develop the first draft.

This draft Framework was then piloted by 10 authorizers from across the country that ranged from small to large, of every organizational type (district, state education agency, nonprofit organization, non-educational government entity, independent chartering board, and higher education institution). NACSA's experience with these 10 sites shaped the final 2013 edition.

In the years since the release of that first edition, NACSA and the field of authorizing have learned a great deal about effective authorizing practices, the importance of centering local communities and context, and the ongoing need to provide great learning opportunities for all students. Further, we have lived through a global pandemic and have seen definitions of school quality and excellence evolve.

Today's version of the *Performance Framework Guidance*, grounded in the 2013 edition, is the result of those learnings, experiences, and evolving definitions. In 2021, NACSA convened over 50 authorizers who are alumni of the NACSA Leaders Program to explore possible updates. From those meetings, updates to each section – Academic, Financial, and Organizational – were drafted along with revisions to overall guidance. Throughout 2022 NACSA shared these drafts with key stakeholders, making key revisions based on feedback, new ideas, and challenges to our thinking. The result is this document, which NACSA will continue to update as needed.

ACKNOWLEDGEMENTS

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PERFORMANCE FRAMEWORKS WORK

Why Authorizers Need Performance Frameworks

For charter schools to play their vital role in providing great public schools to more children:

- Quality authorizing is essential.
- Authorizers must ensure access, autonomy, and accountability.
- Authorizers must be **responsible** for the overall performance of their portfolios of schools.

That's why authorizers need Performance Frameworks to **responsibly** do this work. Performance Frameworks answer fundamental questions about charter school performance:

- Is the school academically successful?
- Is the school financially healthy?
- Is the school organizationally sound?

Performance Frameworks also allow authorizers to create and communicate a common set of performance expectations for all schools in their portfolios while developing other performance expectations unique to schools, based on each school's mission.

Authorizers use Performance Frameworks (PFs) to strike the right balance of school autonomy and accountability. They use PFs to establish clear and transparent evaluation criteria. They then use the information gathered to inform and support their own actions throughout the charter lifecycle, from monitoring activities to guiding the public reporting of school performance, from high stakes decisions to interventions and tiering.

Performance Frameworks give authorizers the tools to:

- Assess schools based on multiple measures of school quality;
- Provide schools with reliable measures to guide their efforts;
- Engage the community on performance priorities and expectations; and
- Spur innovation by differentiating high performance.

Not all Performance Frameworks are the same. This Guide can help authorizers create their own strong PFs that enable them to:

- Keep students, community, and equitable outcomes at the center;
- Require strong outcomes in literacy and numeracy while using more and different rigorous ways of evaluating school quality and student success;
- Exercise professional judgment in implementation; and
- Adapt to fit the local context.

Three Ways This Guide Will Help You

This *Guide to Performance Frameworks* assists authorizers in developing and implementing their own high-quality frameworks.

Here's what you'll get in this Guide:

1. Rationale for the importance of each Framework;
2. Parallel Structure for Framework organization; and
3. Implementation guidance.

Three Ways This Guide is Grounded

After 30 years, the profession of authorizing has evolved and is increasingly used as a model for effective school oversight for all types of public schools, not just charters. These Performance Frameworks are grounded in all that we have learned and know from more than three decades of practice:

1. *Principles & Standards for Quality Charter School Authorizing*, to ensure best practices in oversight;

2. *Leadership, Commitment, and Professional Judgment*, to ensure these researched characteristics of strong authorizers are exercised; and

3. *Communities at the Center*, to ensure schools meet their local needs, aspirations, and context.

This *Guide to Performance Frameworks* assists authorizers in developing and implementing their own high-quality frameworks.

PRINCIPLES & STANDARDS FOR QUALITY CHARTER SCHOOL AUTHORIZING

NACSA has worked with authorizers to build and codify this gold standard for quality authorizing. *Principles & Standards for Quality Charter School Authorizing* helps authorizers set high expectations for the schools they charter, while recognizing there are many ways for schools to meet those expectations.

The *Principles* articulate a set of beliefs: quality authorizers maintain high standards for schools, uphold school autonomy, and protect students and public interests. Authorizers must maintain a balance among these principles. The cornerstone of quality authorizing is that schools commit to providing quality education for all students, managing public funds responsibly, and complying with legal obligations, and in return, authorizers grant schools broad autonomy to meet those standards.

The *Standards* identify core authorizer responsibilities that uphold these *Principles*. Performance Frameworks—the focus of this document—form the backbone of an authorizer's performance management system; this is how authorizers put standards into action.

LEADERSHIP, COMMITMENT, PROFESSIONAL JUDGMENT

Great authorizers—those with strong community-focused school portfolios and performance outcomes—implement foundational authorizing best practices. But to achieve outstanding outcomes, more is needed. When compared to others nationally, great authorizers also share certain additional unmistakable characteristics:

- **Leadership:** Great authorizers are dedicated to a mission of giving more children access to better schools through the proactive creation and replication of high-quality charter schools and the closure of academically low-performing ones. This necessitates a consistent use of strong PFs, and taking action based on their results.

- **Commitment:** Great authorizers reflect their institution's commitment to quality authorizing. Authorizing is visible, transparent, championed, and adequately resourced. The people responsible for day-to-day authorizing functions have influence over decision making. This necessitates that PFs are known, valued, and utilized by all relevant authorizing actors in the institution.

- **Professional Judgment:** Great authorizers make decisions based on what will drive student outcomes, not based on checking boxes or personal beliefs. This necessitates a realistic use of the PFs and taking action to ensure student, family, and community aspirations are met.

CENTERING COMMUNITIES

Charter schooling has the opportunity to provide many more charter models that reflect the diversity of community demand and need, and meet the aspirations of students and communities.

Authorizers play a crucial role here: they are in a position to set an example of what's possible through the relationships they build with communities and the performance expectations schools must live up to.

By using Performance Frameworks that respect and value the diversity of aspirations of communities, authorizers encourage innovation and community centeredness.

We've All Evolved: Here's What's New

The last iteration of NACSA's Guide to Performance Frameworks has been in use in the field since 2013. For authorizers who have been using the same Performance Frameworks for a while, it may be time for some updates. After a decade's worth of research, change, and shifts in the environment, authorizers have learned:

- One size does not fit all.
- Every community is unique.
- Clear expectations and professional judgment are required.

Here's what still holds true:

- The PFs help authorizers and schools answer essential questions: Is the school academically successful? Is the school financially healthy? Is the school organizationally sound?

- The PFs focus on outcomes for students and their well-being.

- The PFs ensure school autonomy and protect schools from onerous bureaucracy.

- The PFs ensure that all students, especially those who have historically been under-educated, are being educated at high levels.

Here's what's new in this version:

- **Interconnectivity among individual frameworks:** e.g., how academic performance is affected by organizational and financial performance and the need to "triangulate" data frequently.

- **Different ways to measure:** this Guide distinguishes between compliance standards (met or not met) and standards measured along a quality continuum (from *Does Not Meet Standard* to *Approaches Standard* to *Meets Standard* to *Exceeds Standard*). This approach allows authorizers to set an expectation for baseline compliance and for performance that demonstrates quality; and

- **Analysis and judgment:** authorizers need to know when and how to use performance measures to make a decision and when to use those measures to gather more information. This "peeling back the onion" and **inclusion of relevant analysis of performance in completion of the framework leads authorizers and schools to better understand what is behind the ratings in order to drive continuous improvement.**

INTERCONNECTIVITY EXAMPLES

- At a Spanish immersion school, the extent to which the school is implementing key design elements of its educational program—such as having appropriately trained and skilled staff and curricular materials, and student participation in learning not only the Spanish language but also learning other content in Spanish—is included in Measure 4b of the Organizational Framework; student performance on Spanish-language assessments are included in the mission-specific measure of the Academic Framework (AF). While the more important measure here is the student learning outcomes in the AF, progress on the relevant measure of the Organizational Framework can be a leading indicator for student performance and warrants evaluation.

- Another school identifies an extended school day and year as key design elements for achieving student success; the Organizational Framework should determine whether these key design elements are, in fact, being implemented. The Financial Framework can help assess whether this extended school day and school year model impacts the school's financial viability. Most importantly, the anticipated academic outcomes correlated to that extended time will be assessed in the Academic Framework.

COMPLIANCE VS. QUALITY MEASURES EXAMPLES

- *Compliance Measure:* a board's performance on a compliance standard is likely to be yes/no (binary indicators). For example: is the board complying with basic governance standards, such as bylaws, state public records law, and open meeting law?

- *Gradient Scale Measure:* Some measures will use a gradient scale (e.g., exceeds, meets, approaches, or does not meet). Using these kinds of measures and setting targets requires professional judgment. For example: how well is the board fulfilling its governance and fiduciary duties? Targets may be: the board evaluates the school leader(s) and/or the contracted ESP consistent with a written board policy; the board implements its policies with fidelity; board members have a shared understanding of and commitment to the school's mission and vision, etc. This measure speaks to a level of quality beyond compliance.

ANALYSIS AND JUDGMENT EXAMPLES

- A school might meet statutory requirements for special education, but still deliver a mediocre experience for students with disabilities. Or, a school's academic outcomes might look great on paper but the social-emotional wellbeing of students and support to parents may be insufficient to sustain the academic outcomes. In these cases, the authorizer can gather more information so that the school and authorizer both have a deeper understanding of the school's performance.

- The standards included in the Organizational Framework, such as the board holding school leaders accountable for maintaining an equitable, diverse, and inclusive work environment, will significantly affect the learning environment for students. Thus, authorizers use information gleaned there to communicate unsatisfactory performance, or as key evidence when making intervention decisions.

- By itself, a school falling far below the standard in organizational effectiveness may not be cause for a non-renewal recommendation. But that failure will surely foretell poor academic outcomes and/or financial health. For this reason, authorizers must pay particular attention to trend data in the Organizational Framework.

What Happens When

Performance Frameworks (PFs) are most useful when both authorizer and school recognize the PFs' value at the center of their relationship. So, it helps to mutually and formally adopt PFs, and then use them regularly throughout the charter's life cycle.

COMMON WAYS PERFORMANCE FRAMEWORKS ARE USED AND REFERENCED

Request for Proposals/New School Application Phase	▪ The Performance Frameworks (PFs) are available to all potential school applicants. ▪ The PFs are available to the public. ▪ The PFs can be used as a tool for community engagement. ▪ The new school application is aligned to the PFs.
Contracting	▪ The authorizer and school negotiate any school-specific measures. ▪ The contract makes clear that the PFs may change over time. (*Quality practice tip: Authorizers should provide notice to schools and an opportunity to provide feedback on potential changes to the PFs*). ▪ Finalized PFs are included as an attachment to the charter contract.
Ongoing Oversight and Monitoring: Differentiated Based on School Performance	▪ The school submits required documents and data consistent with the contract and PFs. ▪ The authorizer conducts differentiated oversight (e.g., school visits and school board meeting observations, as needed) based on performance. ▪ The authorizer analyzes data within the metrics found in the PFs.
Annual School Performance Ratings	▪ Annually, the authorizer uses the PFs to evaluate and analyze academic, financial, and organizational performance.
Annual Report and Interventions	▪ The authorizer compiles performance ratings in the annual report for each school. ▪ Results are presented to the charter school boards and leaders, and made available to the public, including parents and community. ▪ The authorizer implements any interventions as needed, such as Notices of Concern and Notices of Breach, based on school performance.
Renewal Decisions	▪ The authorizer compiles the school performance over the course of the contract using the PFs. ▪ The authorizer makes a decision regarding contract renewal based on the school's performance. ▪ If renewed, the school and authorizer enter into a new contract.

CYCLICALLY

ANNUALLY

Adapt to Fit Your Context

The NACSA Performance Frameworks are provided as a model for authorizers to adapt to fit their own needs and context. Authorizers make critical choices based on their legal authority and responsibility, their own capacity, and their mission. Authorizers can use these key questions to develop their own adapted frameworks.

How does federal and state law affect our Performance Frameworks?

The authorizer must ensure their PFs align to any and all requirements in federal and state law. Authorizers must also consider how closely to align their PFs with existing state accountability systems.

What is our capacity to implement the Performance Frameworks?

Authorizer capacity matters, but it should not lower standards or limit the authorizer's authority to hold schools accountable. Even large authorizers with many schools do not have subject matter experts for every type of school model or management practice, so it's likely necessary to seek outside capacity. PFs also create demands on school leaders and staff. Therefore, authorizers have to strike a reasonable balance: enough of the right measures and data points, without being excessive.

Are our Performance Frameworks community-centered?

One-size fits all, compliance-based accountability frameworks can inhibit the advancement of innovative charter models and present barriers to community-based school models. Even if authorizers choose to adopt the PFs as written, they then ensure the frameworks align with their authorizing mission and complement the types of schools they will authorize, and desire, in service to their communities.

Performance Frameworks should be applicable to a wide range of school models and use multiple definitions of quality to foster innovation. Authorizers engage with school leaders, board members, and community groups while they are developing their PFs to 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 consider who has a stake in ensuring and defining school quality, who the PFs will impact, who could influence how the PFs are used, and who holds the authority to make decisions based on the ratings they produce.

Are our Performance Frameworks focused on all students?

Performance Frameworks should be designed and implemented to keep students and communities at the center.

Educational equity means ensuring all students—across race, gender, ethnicity, language, disability, sexual orientation, family background, and/or family income—are on the path to meeting high expectations for cognitive, behavioral, and social-emotional growth and development.[1]

This is why authorizers look at student performance not only in the aggregate, but also in terms of how various groups of students are performing, including racial and socio-economic groups as well as English learners and students receiving special education services. It is also why authorizers consider quality in addition to compliance in evaluating school organizational performance.

The NACSA Performance Frameworks are provided as a model for authorizers to adapt to fit their own needs and context.

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[1] Adapted from Leading for Equity: Opportunities for State Education Chiefs, https://ccsso.org/equity and National Equity project, http://nationalequityproject.org

Quality Evidence

Authorizers must determine what data to collect in order to evaluate school performance on Performance Frameworks measures. This Guide outlines data sources for each measure. Authorizers clearly communicate to schools what data they will use to evaluate school performance. That data becomes evidence when it is used to support a rating.

Generally, data is either quantitative or qualitative:

- **Quantitative data** is information which can be counted or measured and given a numerical value. Examples include the percentage of students achieving their growth target in reading, student attendance rates, and the school's cash balance.

- **Qualitative data** is descriptive and expressed in terms of words rather than numbers. Examples include the extent to which the school is implementing its key design elements and the comprehensiveness of a school's financial statements.

Both quantitative and qualitative data can be solid evidence. Observation and the experience and voices of stakeholders matter in determining school quality as does more traditional quantitative information.

We often think of measures and data in terms of validity and reliability:

- **Validity** is the extent to which a tool measures what you want it to measure. For example, does a 50-question survey on parent engagement measure how engaged parents are or does it measure whether parents are willing to complete a 50-question survey?

- **Reliability** speaks to consistency and whether a measurement produces similar results over time under the same conditions. For example, does a college placement exam produce similar results from similarly situated groups of students?

A measure may be reliable and valid, but it also needs to be *credible*, meaning key stakeholders believe it is a rigorous measure of what a good school should be and it is defensible to families, students, decision makers, and policymakers.

A measure may be reliable and valid, but it also needs to be *credible*, meaning key stakeholders believe it is a rigorous measure of what a good school should be and it is defensible to families, students, decision makers, and policymakers. Valid, reliable and credible measurement instruments may have formal research studies that accompany them, but authorizers should not limit themselves to only using those tools. A well-developed method of measuring what and how students do after high school for example, can be valid, reliable, and credible through a number of measurement instruments.

For many measures, authorizers triangulate data. For example, to evaluate whether a school is implementing non-biased discipline policies, an authorizer reviews the school's discipline policy; talks to a diversity of students, parents, and teachers about how it is implemented; and analyzes discipline data.

Finally, **authorizers consider the preponderance of data**. For example, in determining whether a school board follows open meeting law, an authorizer may determine that a school failed to publicly post a meeting notice for one meeting of 30 over a three-year period. In this case, the preponderance of evidence is that the school followed requirements. Such an approach should also be used in making judgments in many areas (e.g., using multiple measures of performance in an academic domain).

Authorizers consider all of the above in determining what is quality evidence for their evaluations.

Performance Frameworks Structure and Components

The Academic Framework measures the academic performance of a school utilizing measures such as growth, proficiency, post-secondary readiness, and mission-specific goals.

The Financial Framework measures the financial health and viability of schools through near-term and long-term indicators and financial management indicators.

The Organizational Framework provides performance and compliance targets for the legal and contractual obligations that schools must meet, such as governance and special education requirements.

Each Framework includes the following essential components:

COMPONENT	DEFINITION	EXAMPLES		
		Academic Framework	**Financial Framework**	**Organizational Framework**
INDICATOR	General category of performance	Student Growth	Near-Term Financial Health	Governance
MEASURE	Way of evaluating an aspect of an indicator	Growth on statewide assessments	Current ratio	How well is the board fulfilling its oversight and fiduciary duties?
METRIC	Method, tool, instrument used to quantify a measure	Percentage of students grades 4-8 achieving target growth towards proficiency on statewide math assessment	Current ratio is the school's current assets divided by current liabilities	The board has clear policies that ensure arm's length negotiations for management and/or facilities contracts and contracts meet authorizer requirements
TARGET	Threshold that signifies success in meeting the standard for a specific measure	80% of students grades 4-8 achieve growth target towards proficiency or maintain proficiency on the statewide math assessment	Current ratio is greater than or equal to 1.1	The board has clear policies, including those that ensure arm's length negotiations for management and/or facilities contracts and contracts meet authorizer requirements
RATING	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 rate of 80% or more of students achieving growth towards proficiency or maintaining proficiency on the statewide math assessment, the rating category is *Meets Standard* Ratings are clearly articulated for other levels of performance	If school meets the target of greater than or equal to 1.1 the rating category is *Meets Standard* Ratings are clearly articulated for other levels of performance	If a school has the required policies in place and a compliant management and facilities contracts, the rating is *Meets Standard* Ratings are clearly articulated for other levels of performance
ANALYSIS	Description of the rating that incorporates more detailed information, what needs to happen, what information needs to be ascertained or followed up on, what might need an intervention, what is part of a trend, etc. This analysis provides the authorizer and school with the context for actual performance within each rating.	The school achieved a rating of Exceeds Standard. Analysis: 86% of the students grades 4-8 achieved target growth towards proficiency or maintained proficiency on the statewide math assessment in FY21. This represents an increase of 15 percentage points from FY20 and a 27 percentage-point increase from FY19. The school has demonstrated sustained improving performance over the past two years.	The school achieved a rating of *Does Not Meet Standard*. Analysis: The school's FY21 year-end current ratio was 0.95, which does not meet standard. However, the school reports that this is due to FY21 investment of cash reserves in additional technology for students that has been planned for several years. The school has a history of strong financial performance, and the current ratio on 12/31/21 financials is 1.17. No further monitoring will be required at this time.	The school achieved a rating of *Approaches Standard*. Analysis: The board has the required policies in place, and the performance contract with the management company includes financial reporting requirements. The academic performance measures in the contract, however, are not sufficiently clear or aligned to the authorizer's Performance Framework. The school board should work with its independent legal counsel and management company to amend the contract accordingly.

PERFORMANCE TARGETS AND RATINGS

Authorizers establish performance targets that honor their unique contexts. These targets establish the levels of performance corresponding to the ratings for a given measure. Authorizers begin by setting targets for the *Meets Standard* rating category, which establish expectations and definitions of a quality performance on a given measure. Potential ratings include:

Exceeds Standard	This rating is reserved for performance that far exceeds expectations, demonstrating exceptional performance on a particular measure. This rating may be used in the academic framework, but it is not typically used in the financial or organizational framework.
Meets Standard	The target for this rating category sets the expectation for charter school performance in all measures in all frameworks—academic, financial, and organizational. Schools earning this rating on a particular measure are performing well in that area.
Approaches Standard	Schools with this rating are approaching but have not fully met expectations for performance on a given measure. While these schools have achieved some of the minimum expectations on the measure in question, these schools may be subject to further analysis and potentially closer monitoring. This rating may be used for academic measures and qualitative measures in the organizational and financial frameworks.
Does Not Meet Standard	Schools with this rating on a measure are performing below the authorizer's expectations, and the school is subject to further analysis, closer monitoring, and possibly intervention. This rating is used on all measures in all frameworks.
Falls Far Below Standard	Schools with this rating on a measure are performing far below the authorizer's expectations, and the school is subject to further analysis, closer monitoring, and likely intervention. This rating is typically used for academic measures and quantitative financial measures. Schools performing at this level on an academic measure demonstrate unacceptable performance. A *Falls Far Below Standard* rating on a financial framework measure may demonstrate that the school is at financial risk.

RATINGS IN ACTION

After an authorizer determines, using analysis and judgment, the appropriate rating(s), they consider next steps:

- What additional information should be gathered or reviewed to contextualize the rating?
- What is the most effective way of providing the information to the school and community?
- How do I ensure the school will take action to improve, without prescribing how it do so?
- What actions might I take to adapt my oversight of this school given the rating(s)?

Big Picture Guidance for Authorizers

- **Keep your eye on your purpose**—ensuring a quality education for all students.
- **Stay focused on outcomes** (not the inputs) and hold up a mirror to the school.
- **Reduce reporting burdens** for schools by using consistent reporting requirements.
- **Automate and simplify when possible**, using readily available or easily developed tracking tools.

ACADEMIC FRAMEWORK GUIDANCE

Why This Matters

The Academic Framework captures the impact a school has (or does not have) on its primary stakeholders—students. It is the centerpiece in the balance between accountability and autonomy.

NACSA's Academic Framework (AF) provides a starting point for authorizers to set expectations for academic performance for schools, to evaluate the impact schools are having on students, and to hold schools accountable, recognizing that authorizers oversee charter schools in different states, with varied missions, in a variety of contexts. A state or district charter office may be required to use an AF that is closely aligned with, or at least does not contradict, state or district accountability systems. Other authorizers may have more flexibility in choosing accountability measures. This guidance document can assist authorizers in tailoring the AF for use in setting expectations for and evaluating their specific portfolios of charter schools.

The most critical job of authorizers is setting expectations for and evaluating how students are doing. Students' academic outcomes are evaluated through the AF. This is separate from educational program elements that speak to what *adults* are doing, which are evaluated through the Organizational Framework, such as the number of school days required by law, whether a school is delivering on its key design elements, and the quality of services to students with disabilities.

The Indicators in Today's Academic Framework

The early 2020s have been transformative. The global Covid-19 pandemic and ongoing racial inequities have impacted how school quality is defined and measured. Schools were upended almost overnight, and the education and wellness of too many students have been adversely affected, especially for students who are historically under-resourced.

NACSA recommends that authorizers prioritize disaggregated student growth and mission-specific goals—especially those that focus on student accelerated growth and wellness—in their AF measures of school quality. While each indicator of student learning and outcomes is important, authorizers can contribute to critical recovery efforts today by focusing on how well schools are accelerating student learning and wellness.

NACSA recommends that authorizers prioritize disaggregated student growth and mission-specific goals—especially those that focus on student accelerated growth and wellness—in their Academic Framework measures of school quality. While each indicator of student learning and outcomes is important, authorizers can contribute to critical recovery efforts today by focusing on how well schools are accelerating student learning and wellness.

INDICATOR 1 | Student Growth

While student progress or academic growth has always been an important part of the AF, it takes on increased significance after the most challenging pandemic years of interrupted schooling. NACSA recommends authorizers emphasize growth in the AF, using disaggregated data, in areas including literacy and math, so all students who may not be on grade level or demonstrating proficiency today make sufficient progress towards proficiency in the coming years and not fall further behind.

INDICATOR 2 | Multiple Measures – Mission-Specific Goals

This AF puts a new emphasis on multiple measures of student success. Strong literacy and numeracy skills are critical for success in life. There are also additional ways schools impact student learning, wellness, and other life outcomes consistent with their mission. NACSA encourages authorizers and charter schools to think more broadly about excellence by setting expectations for, and evaluating progress against, other aspects of students' learning and achievement unique to each school and its particular mission.

INDICATOR 3 | Student Achievement (Proficiency)

While growth has increasing significance, authorizers should continue to evaluate student proficiency or achievement levels in core areas such as literacy, math, and other subjects.

INDICATOR 4 | Post-Secondary Readiness

Our K-12 system is fundamentally about preparing students for life after high school: post-secondary education, work and career, and service and community. This indicator provides guidance on potential measures to evaluate high schools' effectiveness in this area and encourages authorizers and schools to think about a broad set of measures. In some instances, authorizers and schools may consider adding measures for elementary and middle schools, if contexts and policies align.

INDICATOR 5 | State and Federal Accountability Systems

Authorizers and charter schools operate within other state, federal, or district accountability systems, and must consider how closely to align their AF to those systems. Some authorizers use their state's accountability system as the primary or even sole measure of the AF, though NACSA encourages all authorizers to consider multiple measures of student achievement. In some cases, an authorizer's framework may produce different results than the state system, given the grade levels being tested, the growth pattern of a school, or the types of measures that are included or how they are weighted.

BENEFITS AND CHALLENGES OF ALIGNING WITH THE STATE ACCOUNTABILITY SYSTEM

Aligning with the state accountability system has some **benefits**:

- Adoption of established state metrics or benchmarks allows authorizers to rely on state data sources and analysis, reducing the resources required of authorizer and school staff. This can be particularly relevant for low-capacity authorizers.

- 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 could create confusion for stakeholders. Authorizers should create frameworks that are likely to provide a clear picture of performance, and they should recognize that communication efforts will be needed if there are significant differences between the authorizer and state systems.

- Schools designated as the lowest-performing schools in the state on the state accountability system are similarly designated for intervention, non-renewal, or revocation on the Performance Framework, again ensuring consistency and accountability for poor performance.

Alignment, however, may present some **challenges** to authorizers:

- Definitions of excellence and student achievement and success can be limited in state systems, precluding the use of multiple measures and a broader view of post-secondary readiness.

- Many state accountability systems create a large category in the middle. Adoption of these categorizations prevents authorizers from setting a clear expectation for performance. For example, in a state that assigns a "C" grade to those schools performing from the 25th to 75th percentile, authorizers may wish to further distinguish between a charter school performing at the 26th percentile from another at the 74th percentile.

- State systems change with some frequency, requiring authorizers to make changes as well. In addition, states do not release ratings in some years under a variety of circumstances, leaving authorizers with no framework data.

- Depending on a school's grade configuration, a high percentage of students may not be included in the state system, given that statewide assessments are typically given in grades 3-8 and once in high school.

- A school's state rating can be impacted if the school has a meaningful percentage of students who opt out of the statewide assessments.

Authorizers should still include the state accountability system in the AF; however, considering these pros and cons outlined in the *Benefits and Challenges* sidebar, authorizers should consider their context in determining how much to emphasize performance on the state system in the overall determination of school performance, whether to break out the measures included in the state system as separate measures in the AF, or whether to use some, but not all, of the measures in the state system.

When determining how to incorporate the state accountability system, authorizers should try to complement the state system, while keeping in mind expanding definitions of school excellence and ensuring that the AF truly assesses student performance for accountability and monitoring purposes.

All Students

Great outcomes for all students are both federal law and a fundamental principle of authorizing. To evaluate whether schools effectively serve all students, authorizers look closely at performance not only in the aggregate—which can mask performance for some groups—but also for groups of students, including racial and socio-economic groups, English learners, and students receiving special education services, among others. Some authorizers also look at the performance of students who have been at the school for two or more years to assess the impact a school is having over time.

DISAGGREGATING DATA

Authorizers set the target that all student groups perform at a high level. Then, they use the framework to identify and assess levels of performance among groups, such as between students with disabilities and general education students, or among racial groups. The framework should also identify and assess how performance levels among these groups change over time. If there are gaps—or gaps that are not closing over time—the authorizer will reflect this in relevant rating(s) on the PF, and take appropriate subsequent action.

PARTICIPATION

Authorizers must also consider participation rates of students on assessments, to ensure a fair and accurate evaluation of school performance. For example, can we say a school is effectively preparing students for college if 90% of students who take the SAT or ACT achieve scores that are considered college ready but only 40% of all students take these tests? What is happening with the other 60%? What measures can be included to capture their post-secondary readiness? Furthermore, ESSA stipulates participation requirements for statewide assessments (95% of students overall, as well as 95% of students in each subgroup), and authorizers must determine how school participation rates factor into performance ratings. **Across all indicators, authorizers and schools must ensure measures capture the impact the school is having on *all*, not just some, students.**

Authorizers set the target that all student groups perform at a high level. Then, they use the framework to identify and assess levels of performance among groups, such as between students with disabilities and general education students, or among racial groups. The framework should also identify and assess how performance levels among these groups change over time.

Targets and Ratings

Given the vast differences among state and authorizer capacities and environments, community needs, state and other student assessment requirements, and authorizing missions, this AF guidance does not include performance targets for all measures.

Each authorizer must ultimately determine the performance targets they use to rate their schools. How authorizers do that depends ultimately on the measures included. For example, in the area of student growth, if the measurement tool is a nationally-normed assessment, authorizers should review the test maker's guidance to understand what is considered strong performance and set the target for *Meets Standard* based on that information. Similarly, when setting a target for proficiency as measured by statewide assessments, authorizers should reference performance statewide. In many cases, target performance levels in a given year and for some measures may be below 100% of students. That is acceptable as long as longer-term targets drive towards all students meeting high expectations.

When establishing targets, authorizers should begin by setting targets for the *Meets Standard* rating category, which establishes expectations and definitions of a quality school. Given various contexts and conditions that exist across schools, student populations, and communities, target setting will likely be some combination of uniformly applicable targets across all schools and customized targets for some schools. Yet, even when customizing targets, they should reflect the goal of all students achieving high levels of growth, proficiency, and post-secondary readiness.

WHEN A SCHOOL DOES NOT MEET ONE OR MORE ACADEMIC FRAMEWORK STANDARD

No single academic performance measure can or should be used to assess the overall academic performance of a school. And while each measure is important, falling short of the target on a single measure while meeting targets on other measures is not necessarily cause for accountability consequences. Authorizer should communicate directly with school's leadership and governing board to understand performance that does not meet targets and determine appropriate next steps.

(See section on Aggregating Performance and Decision Making.)

Indicators and Measures in Detail

INDICATOR 1
Student Growth

Growth measures the progress that individual students have made over time. Growth measures ask either "Is a student growing at a similar rate as their peers?" OR, "Is the rate of student learning adequate to achieve, maintain, and/or make sufficient progress towards proficiency or grade level expectations?"

Particularly now, as we navigate the long-term effects of the pandemic, the challenge of getting students on track is among the most important issues authorizing and schools face. It is critical to set high expectations for students' growth and evaluate schools' performance against those expectations. Further, since many schools report enrolling students who perform one or more years below grade level, it is imperative to consider how well schools are *accelerating* student learning.

Growth models can be norm-referenced or criterion-referenced; both can be useful in evaluating school performance:

- **Norm-referenced models** compare individual student progress to that of other students with similar demographics, starting points, or performance history.
- **Criterion-referenced growth models** assess whether students are making sufficient growth to attain grade level proficiency (meet criteria) within a defined time period.

At a minimum, the AF should include measures related to growth in reading and/or English language arts and math. Authorizers can also consider growth measures in other academic subjects.

WHICH ASSESSMENT(S) TO USE

Selecting the appropriate tool(s) to measure student academic growth is important. The following are options to consider, and an authorizer may use more than one:

OPTION 1: State Growth Measure

Using the statewide assessment and the state growth model may be most efficient for authorizers. Results are comparable across all schools in the state, and the state may provide assistance in understanding the results. However, growth data on statewide assessments is typically not available for students until 4th grade.

Growth models vary from state to state. One state may use a student growth percentile measure that evaluates how students are performing compared to their academic peers. Another state may use a growth-to-standard measure which assesses how far a student's current performance is from a grade-level standard (proficiency), and based on the student's rate of progress, estimates how long it will take the student to meet that standard. Other states may use other kinds of growth measures, and some states do not have easily accessible growth model information.

OPTION 2: Nationally Normed Tests

Authorizers can require schools to administer a nationally-normed assessment. Some, such as NWEA-MAP, Renaissance STAR, New Meridian, and I-Ready are often administered multiple times during the school year and can be used to assess growth within a school year, e.g., fall to spring, or year over year, e.g., spring to spring. Data can be used to compare student growth to that of their academic peers or progress towards meeting grade-level expectations. If these assessments are required of all schools in an authorizer's portfolio, an authorizer can compare performance across schools as well as with students nationwide. Additionally, nationally-normed assessments can provide growth data for a wider range of grades (e.g., kindergarten through high school) than many state assessments can.

Many assessment creators, but not all, have documented how well aligned the nationally normed assessments are in measuring progress on *state* standards. If that alignment is important for an authorizer, they should understand how well each nationally normed assessment measures their state standards, and select the assessment that is the most aligned.

OPTION 3: Calculation of Growth Measure with Student-Level State Assessment Data

Authorizers can also use student-level state assessment data to calculate growth. The ability to calculate growth in this manner is dependent on access to student-level data, staff to carry out analysis, characteristics of the state assessment such as "vertical alignment" of the scores across grade levels, and in some cases, access to certain kinds of statistical models.

STATEWIDE ASSESSMENT, NATIONALLY-NORMED ASSESSMENTS, OR BOTH?

NACSA recommends authorizers use a growth model (state or national) that enables them to know if students across grade levels—including student groups—are making sufficient progress to achieve or maintain proficiency (or more). That information has always been important and is of particular importance now as we work to accelerate student learning.

The decision on which kinds of growth assessments to use will largely rest on assessment availability, authorizer capacity, grade levels of students, and authorizer priorities (e.g., strong alignment to state or national standards). What should remain true across growth measures is that they are used; they produce disaggregated data; are reliable, valid, and credible; and allow authorizers and the public to know if students are progressing well.

SCHOOL-LEVEL ASSESSMENTS

Some schools develop their own curriculum-based assessments to measure student growth in reading, math, and other subject areas. They may express an interest in using such assessments as part of their accountability measures in the AF. Authorizers should be cautious about using such measures—and should not use them by themselves—because of significant questions about the usefulness of these assessments for formal accountability. If an authorizer and school are interested in exploring the use of school-level tools, the authorizer should ensure a comprehensive evaluation of such measures, especially understanding the tool's validity, reliability, and credibility, and if such tools have been sufficiently normed against a diverse student population. School-level assessments can, however, be used to triangulate certain measures, such as student growth in ELA.

SETTING TARGETS FOR GROWTH

There are several factors to consider in setting targets for growth measures:

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

Depending on the specific measure, authorizers may set a *Meets Standard* target of a certain percentage of students, and student groups, meeting growth targets. For example, schools may be expected to accelerate student growth for students that are below grade level (e.g., making more than one year's worth of growth). In setting specific targets, it is important for authorizers to set ambitious and attainable goals. In addition, it is important that measures expect growth and capture progress for all students.

NACSA recommends authorizers use a growth model (state or national) that enables them to know if students—including student groups—are making sufficient progress to achieve or maintain proficiency (or more).

POTENTIAL MEASURES

An authorizer will likely include more than one measure of growth per subject area, depending on the grade span of students, type of school, and educational backgrounds of students. It is important that authorizers are clear on which grade levels are included in measures given that different assessments may be relevant for students in different grade levels. Key measures for authorizers to consider around student growth include:

> **Measure 1a:** Are all students in [GRADE LEVELS] making sufficient annual academic growth in (SUBJECT AREA) to achieve proficiency (within X time frame)?

> **Measure 1b:** Are students in [GRADE LEVELS] across all identified subgroups making sufficient annual academic growth in (SUBJECT AREA) to achieve proficiency (within X time frame)?

> **Measure 1c:** Are students in [GRADE LEVELS] who have been enrolled two or more academic years at the school years making more significant improvements in (SUBJECT AREA) over time?

> **Measure 1d:** Are students in [GRADE LEVELS] within federally identified subgroups improving in making adequate progress towards grade level proficiency in ELA/Math over time as measured by state assessments? Is the school increasing student subgroup performance over time?

> **Measure 1e:** Are students in [GRADE LEVELS] demonstrating accelerated growth compared to their academic peers?

ENGLISH LEARNERS AND GROWTH

In addition to one or more of the above measures, authorizers may choose to include a growth measure specific to English learners given that states are required to include such a measure in their state ESSA plan. This does not imply that performance data for English learners should be excluded in growth measures above, but given states are required to assess English learners' progress towards achieving English Language Proficiency (ELP) as part of ESSA, states have useful data that can help authorizers evaluate school performance. Many states use the WIDA assessments to meet this ESSA requirement, providing data on the students' actual growth in ELP in relation to their target growth. For example:

> **Measure 1f:** Are English learners in [GRADE LEVELS] making expected progress towards achieve English Language Proficiency as measured by the WIDA assessment?

STUDENTS WITH DISABILITIES AND GROWTH

Similarly, authorizers may choose to include a growth measure specific to students with disabilities. This does not imply that performance data for students with disabilities should be excluded in measures above, but using additional measures specifically designed for these students will provide more comprehensive data about these students' learning and growth and the impact of the school. This could include student progress on growth related goals on students' Individualized Education Program (IEPs) or other credible measures agreed upon by the school and authorizer. In the case of using progress on IEP goals, specific student goals are unique as that is the design of an IEP goal, and authorizers and schools can set targets around the percentages of students with disabilities who meet their individual IEP growth goal, thus assessing progress of a group of students.

Authorizers and schools should carefully consider if they want to include these types of measures as IEP goals are designed to be supportive, formative assessments of student progress. Inclusion of these goals into an accountability system may create unintended impacts on the students who need the most support. For example:

> **Measure 1g:** Are students with disabilities in [GRADE LEVELS] achieving growth as specified on their individual IEP goals?

TIPS FOR AUTHORIZERS:

Authorizers and schools must be clear on the meaning of terms such as "sufficient," "adequate," "significant," and "accelerated" if they are included in the measure. For example, depending on the assessment, "adequate" could mean "makes expected growth" or "sufficient" could mean "enough growth to move a student from 'not proficient' to 'partially proficient' or from 'partially proficient' to 'proficient.'" Whatever the language, it should be numerically calculable so that the school, authorizer, and other stakeholders are clear.

INDICATOR 2

Multiple Measures – Mission-Specific Goals

Mission-specific goals help foster more diverse and innovative schooling options with students and communities. Rigorous measures of quality aligned to a school's mission provide insight into how well schools are delivering for students and communities. These measures evaluate performance in outcomes not captured by other accountability indicators; they are not meant to replace indicators described previously, but rather to complement and add measures of important student outcomes related to a school's unique mission or key design elements. These measures can take many forms, are developed in collaboration with schools, and assess various aspects of students' cognitive and social-emotional skill development and can include measures of second-language learning, problem solving, communication, academic skills beyond reading and math, collaboration, leadership, and more.

SMART USE OF MULTIPLE MEASURES

It's important that new measures are rigorous, thoughtful, and challenging to achieve. Using multiple measures of school quality should not be a tool for explaining away low-performing schools. In addition, they should be developed with families and communities. That can help avoid culturally incompetent ways of defining quality and guard against unintentional bias. Authorizers should also take care to distinguish between measures that are appropriate for the AF, and those that are better positioned as measures a school's governing board and internal staff monitor and seek to achieve.

SETTING TARGETS

Performance targets in this area will vary depending on the measure. As appropriate, authorizers and schools should consider available national data (for nationally normed tools), school-level baseline performance data, and other factors, while always setting ambitious yet attainable performance targets.

POTENTIAL MEASURES

Measure 2a: Is the school meeting mission- or school-specific student achievement goals?

TIPS FOR AUTHORIZERS:

- Mission-specific or school-specific goals, by their very nature, will vary among schools in an authorizer's portfolio. We believe that is a good thing as it highlights unique aspects of schools' purposes and programs. As such, schools take a lead role in determining what these goals and measures are—often through the development of a logic model. Ultimately, authorizers must provide input and perspective, determine the credibility of the school's proposed measure and assessment tool(s), and approve its inclusion in the AF.

- As with other indicators in this AF, these goals and measures are focused on student learning, growth, performance, and outcomes. The intention is not to include goals or measures

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related to adult behavior. Similarly, be wary of goals around student participation in activities. For example, while a school may have a focus on community engagement and volunteerism, a goal around student participation in volunteering does not speak to student learning or outcomes. A more appropriate approach in this example would be for the school to identify how volunteering leads to student growth and/or skill development and identify rigorous measures associated with those outcomes.

- For authorizers and schools new to using multiple measures such as mission- or school-specific goals, they may consider piloting measures and not including them in the contractual framework initially to learn more about how to implement them effectively without high stakes.

- NACSA and other organizations have resources to support authorizers and schools in the development and implementation of multiple measures.

  – Check out these examples of multiple measures used by various authorizers.

  – Assess your readiness for this work, it you are new to it.

  – Check out NACSA resources on logic models and assessing the credibility of measures.

  – Review learnings from Active Ingredients, a project of SUNY Charter Schools Institute.

  – Review the Washington State Charter School Commission's guidance on developing school-specific goals.

  – Explore partnering with A-GAME (Assess-Global access, Academics, Mission, and Equity) to implement multiple measures with one or more schools in your portfolio.

INDICATOR 3

Student Achievement (Proficiency)

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, over time, schools must demonstrate that they can bring students up to and beyond grade level. The AF includes a number of evaluations of student proficiency rates within each school, including overall proficiency, comparison to average proficiency rates for schools that students might otherwise attend, comparison to schools serving similar populations, and a focus on proficiency rates of subgroups within the school.

As with the Growth Measure above, schools can consider nationally-normed assessments in addition to statewide assessments. The multiple measures allow authorizers to look at school proficiency from different angles in a balanced-scorecard approach. At a minimum, the AF should include assessments of reading and mathematics and ideally science, with targets applied separately for each subject; accountability for all core subjects is encouraged. Authorizers may also consider proficiency in other areas such as career and technical skills; however, for the purposes of this guidance, NACSA will include such measures in the Post-secondary or Mission-specific measures goals below.

SETTING TARGETS

The establishment of proficiency targets offers authorizers an important opportunity to set a high bar for 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% proficient) or comparative (e.g., above the state average proficiency rate) proficiency targets on the statewide assessment.

There may be external factors that limit how authorizers can set proficiency targets, such as state charter laws or state accountability systems. Within that context, it is critical that authorizers prioritize ambitious targets for student learning, and not accept low expectations. For example, if a school operates in a district or state with relatively low proficiency rates and/or large achievement gaps, unless the authorizer is statutorily required to set targets consistent with state/district performance, authorizers should have significantly higher expectations for schools they oversee.

ADDITIONAL FACTORS TO CONSIDER IN SETTING PROFICIENCY TARGETS

- How rigorous are state 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 schools and the public to understand?
- What are potential effects of changes in assessment or proficiency benchmarking?
- Do targets for the lowest rating category identify the lowest-performing 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?

POTENTIAL MEASURES

An authorizer will likely include more than one measure of proficiency per subject area, depending on the grade span of students, type of school, and educational backgrounds of students. It is important that authorizers are clear on which grade levels are included in measures, given that different assessments may be relevant for students in different grade levels. Additionally, since performance for all students can mask subgroup performance, authorizers may consider focusing solely on the performance of subgroups. Key measures for authorizers to consider around student proficiency include:

Measure 3a: Are students in [GRADE LEVELS] achieving proficiency in [SUBJECT] as measured by statewide assessments?

Measure 3b: Are students in [GRADE LEVELS] in demographic subgroups achieving proficiency in [SUBJECT] as measured by statewide assessments?

Measure 3c: Are students in [GRADE LEVELS] achieving proficiency in [SUBJECT] as measured by nationally or otherwise recognized, standards-aligned assessments?

Measure 3d: Are students in [GRADE LEVELS] in identified subgroups achieving proficiency in [SUBJECT] as measured by nationally or otherwise recognized, standards-aligned assessments?

Measure 3e: Are students in [GRADE LEVELS] achieving high rates of proficiency in [SUBJECT] on statewide assessments in comparison to students at schools they would otherwise attend or students at schools serving similar populations?

Measure 3f: Are students in [GRADE LEVELS] in identified subgroups achieving high rates of proficiency in [SUBJECT] on statewide assessments in comparison to students at schools they would otherwise attend or schools serving similar populations?

Measure 3g: Are students in [GRADE LEVELS] in identified subgroups achieving high rates of proficiency in [SUBJECT] on statewide assessments in comparison to state subgroups?

For schools serving students PreK-2, authorizers should consider specific measures to assess the literacy and numeracy levels of these students. This will require the use of an assessment other than statewide assessments, as statewide assessments do not begin until grade 3. For example:

Measure 3h: Are PreK-2 students achieving proficiency on nationally or otherwise recognized, early literacy and numeracy assessments?

ENGLISH LEARNERS AND PROFICIENCY

As with student growth, authorizers may choose to include a proficiency measure specific to English learners. This does not imply that performance data for English learners should be excluded in proficiency measures above, but given that states are required to assess English learners' English Language Proficiency (ELP) as part of ESSA, authorizers have useful data that can help them evaluate school performance. Many states use the WIDA assessments to meet this ESSA requirement, providing data on the students' ELP. For example:

Measure 3h: Are English learners in [GRADE LEVELS] achieving English Language Proficiency as measured by the WIDA assessment?

Using WIDA as a proficiency measure is somewhat more complicated that using it as a growth measure, as the percentage of students who are achieving ELP will have a strong correlation to the number of years students have been English learners and their English level upon entry at the school. As such, setting performance targets for this measure can be complicated and should be done with care. Given the challenge, authorizers may consider including data from WIDA (or similar) solely in the assessment of sufficient student growth.

STUDENTS WITH DISABILITIES AND PROFICIENCY

Similarly, authorizers may choose to include a proficiency measure specific to students with disabilities. This does not imply that performance data for students with disabilities should be excluded in measures above, but using additional measures specifically designed for these students will provide more comprehensive data about these students' performance and the impact of the school. This could include student attainment of identified levels of performance (I.e., achievement) on their IEP goals or other credible measures that are agreed upon by the school and authorizer. Authorizers and schools can set targets around the percentages of students with disabilities who meet their individual IEP performance goal, thus assessing progress of a group of students. Authorizers and schools should carefully consider if they want to include these types of measures, as IEP goals are designed to be supportive, formative assessments of student progress. Inclusion of these goals into an accountability system may create unintended impacts on the students who need the most support. For example:

> **Measure 3i:** Are students with disabilities in [GRADE LEVELS] achieving proficiency on specific individual IEP goals?

INDICATOR 4
Post-Secondary Readiness

There is no one definition of post-secondary readiness. Definitions evolve with the times; what was considered readiness 30 years ago, or even 10 years ago, may no longer suffice. In some schools and communities, the sole focus is on readiness for, and enrollment and persistence in, four-year college. Other schools or communities may have a broader view which includes military pathways, two-year colleges, trade-schools, apprenticeships, workforce readiness, and community leadership.

In some circles, post-secondary readiness has come to be defined as the knowledge, characteristics, skills, and competencies young people need as they embark upon a world that is constantly changing in response to technological advances, and social, political, environmental, and health challenges. These may include success skills such as persistence and strong sense of self and cognitive strategies such as critical thinking and problem-solving that enable students to navigate and overcome difficulties in their postsecondary life and be more active and effective learners in the classroom and on the job. All of these are important in preparing students for what comes next in their lives and can be included among the measures in this area.

Measures that an authorizer and school choose will be informed by a number of factors, including the school's vision and mission, authorizer priorities, data availability, state policy, and required elements of state accountability.

(See measure 3b in the Organizational Framework for how schools support students and families in post-secondary planning.)

SETTING TARGETS

Depending on the tool being used for a given measure, authorizers should reference test-maker guidance, higher education institutions, or other relevant agencies to get a sense of how readiness is defined. For example, ACT and SAT have identified scores that reflect college readiness; the various branches of the U.S. military have identified performance levels on the ASVAB that reflect readiness for service; and community colleges or trade schools have standards for readiness.

In addition to performance levels on a given assessment that indicate readiness, authorizing must determine the level of performance school-wide that *Meets Standard*. As with all measures, authorizers should set ambitious and attainable targets. What may be somewhat unique in this case, however, is that since post-secondary readiness can be considered in many different ways, an authorizer may identify targets that include all or nearly all students. For example, an authorizer may have a measure that groups together multiple assessment tools and provide multiple ways for students to demonstrate readiness. Using examples 4c and 4d below, an authorizer could combine these and set a target that 90% of students demonstrate college, work, or military readiness as measured by the ACT, SAT, ACCUPLACER, ASVAB, WorkKeys, or other industry recognized CTE credential. Specific considerations for any measures are included below.

POTENTIAL MEASURES

An authorizer will very likely include multiple measure of post-secondary readiness, with graduation rates from high school being a baseline. Authorizers with multiple high schools in their portfolio may consider two to three standard measures that are used for all schools, and one or more school-specific measures depending on the focus of a particular school. Such school-specific measures could also be included in Indicator Area 4 (Mission-specific goals).

For all measures, and where feasible, given minimum cell size numbers, authorizers should consider performance for identified student subgroups to ensure schools are preparing all students for postsecondary success, regardless of backgrounds, and that schools are not inappropriately tracking students.

Authorizers must also consider the availability of data for given measures and limit administrative burdens on schools, particularly those with limited resources. In many states, however, the public, including authorizers, have access to more robust data related to student enrollment and persistence in post-secondary institutions, as well as remediation rates for students. In addition, schools have access to the National Student Clearinghouse. Nonetheless, it can be difficult for schools and authorizers to track student performance or status after they have graduated from high school, so such measures should be used thoughtfully.

Authorizers should consider performance for identified student subgroups to ensure schools are preparing all students for postsecondary success, regardless of backgrounds, and that schools are not inappropriately tracking students.

Finally, while most authorizers include post-secondary measures only for high schools, an argument can be made for including measures for elementary and middle schools as well. Key measures for authorizers to consider around post-secondary readiness include:

Measure 4a: Are students, including students in identified subgroups, graduating from high school?

- Factors to consider in setting targets for graduation rate:
  - What are the goals for charter school graduate attendance to college or university? Graduation rates should meet or exceed these targets?
  - What are statewide or district averages?
  - Depending on the particular school, NACSA recommends that this measure include the four-year, and extended five-, six-, and/or seven-year adjusted cohort graduation rates, as determined by your state.
  - In some rare instances, it may be appropriate for authorizers to also consider the degree to which students not graduating successfully complete a high school equivalency examination (e.g. The High School Equivalency Test (HiSET) or the General Educational Development (GED) exam).
- Authorizers may also consider evaluating dropout rates.

Measure 4b: Does student performance on college entrance or placement exams reflect readiness for postsecondary education?

- Relevant assessments may include: ACT, SAT, ACCUPLACER, or other exams used by higher education institutions.
- In some cases, college and universities are no longer requiring the ACT or SAT, so authorizers should work with schools and consider how participation rates factor in if this measure is used.

Measure 4c: Do students demonstrate readiness for the military or workforce?

- Relevant assessments may include: ASVAB, WorkKeys, other Career Technical Education (CTE) assessments or industry-recognized CTE credentials.

Measure 4d: Are students earning college credit or the equivalent while in high school?

- This could be through concurrent enrollment programs or through achievement on Advanced Placement (AP) or International Baccalaureate (IB) assessments. In the case of AP and IB, authorizers and schools should clearly articulate required performance levels as colleges and universities do not all have the same performance expectations for earning credit.

Measure 4e: Are high school graduates accepted into at least one postsecondary education institution upon graduation?

- Authorizers and schools must be clear on how they define "postsecondary education institution," given that some schools' missions clearly focus on acceptance of their students in four-year colleges and universities, while other schools are focused on multiple pathways after graduation.

- Factors to consider in setting targets for this measure:

  – NACSA believes that the target for most high schools should be at or near 100%, given acceptance does not mean students must attend a postsecondary institution (however that is defined and agreed upon by the school and authorizer), but it gives them the option to do so.

Measure 4f: Are high school graduates enrolled in post-secondary education institutions in the fall following graduation?

- Again, it is critical that schools and authorizers define "post-secondary education institution."

Measure 4g: Are high school graduates who enrolled in post-secondary institutions and/or enlisted in military service after graduation persisting in the fall of the year after graduation?

Measure 4h: Are high school graduates who did not enroll in postsecondary education institutions after graduation meaningfully employed in the fall and winter following graduation?

QUESTIONS TO CONSIDER

In addition to the potential measures outlined above, authorizers and schools may consider some of the following questions when thinking about Mission-Specific Goals and Post-Secondary Readiness.

- What critical thinking and/or problem-solving skills do we want students to acquire? How do we measure this?
- What social, emotional, collaboration, and/or communication skills do we want students to acquire? How do we measure this?
- How do we ensure high school students are resilient, have a strong sense of self, and can persevere through life challenges? How do we measure this?
- What skills might students acquire to become good citizens who engage in their communities? How do we measure this?

TIPS FOR AUTHORIZERS:

- Resources to help you think about post-secondary readiness:
  - Multiple Pathways to Success
  - Reimagining High School
  - https://www.redefiningready.org
  - https://crpe.org/how-eight-rural-districts-came-together-to-redefine-postsecondary-success-in-the-midst-of-a-pandemic
  - https://files.eric.ed.gov/fulltext/ED610372.pdf
  - https://postsecondaryreadiness.org

INDICATOR 5
State and Federal Accountability Systems

NACSA recommends that authorizers consider existing state and federal accountability systems to which charters, as public schools, are held accountable. This enables authorizers to draw upon existing expertise, data, measures, and/or metrics, simplifies charter accountability and evaluation, and helps authorizers build a public case where necessary for school renewal, non-renewal, or revocation.

Currently, ESSA requires states to hold schools accountable for student performance. Each state must include indicator areas to measure school performance. The first four areas are required and include: academic achievement (proficiency), academic progress (growth), English language proficiency, and high school graduation rates. The fifth area measures school quality or success, and states can select more than one way to do this, including in areas such as kindergarten readiness, access to and completion of advanced coursework, post-secondary readiness, discipline rates, and chronic absenteeism. It is important for authorizers to understand these ESSA indicators and measures in their state in order to determine the extent to which they include and/or emphasize the state accountability system in their AF.

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 AF). For states that use letter grades, consider the following:

A = *Exceeds Standard*

B = *Meets Standard*

C = *Approaches Standard*

D = *Does Not Meet Standard*

F = *Falls Far Below Standard*

Depending on your state's system you may include one or more of the following measures:

Measure 5a: Does the school meet acceptable standards according to existing state grading or rating systems?

Measure 5b: Does the school meet state designation expectations as set forth by state and federal accountability systems?

Measure 5c: Does the school meet annual state ESSA accountability performance expectations in each of the five indicator areas?

FINANCIAL FRAMEWORK GUIDANCE

Why This Matters

Charter schools have the autonomy to manage their finances, consistent with state and federal law. An authorizer's role, as stated in NACSA's *Principles & Standards*, is to define "clear, measurable, and attainable…financial…standards and targets that a school must meet as a condition of renewal…"

Authorizers, therefore, must be able to determine, on an ongoing basis, if a school is financially viable, and able to meet its promises to students, families, and community, or if it is at risk of becoming financially vulnerable. Financial viability means meeting financial performance targets, such as Days Unrestricted Cash, as well as specific measures related to financial management and oversight.

Financial shortcomings can impact a school more quickly and significantly than other deficiencies. That's why authorizers develop and utilize a good set of tools to assess and monitor a school's financial health while respecting a school's rightful autonomy.

The Indicators in Today's Financial Framework

INDICATOR 1 | Near-Term Financial Health

The measures in this area are designed to depict the school's financial position and viability in the upcoming year. Schools meeting these 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.

INDICATOR 2 | Long-Term Financial Sustainability

These measures are designed to depict a school's financial position and viability over time. Schools that meet these 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.

INDICATOR 3 | Financial Management and Oversight

While the other two indicators in this area measure a school's quantitative financial health, the measures in this area set expectations for the school's management and oversight of its finances and provide a more qualitative look at performance irrespective of the near-term and long-term calculations.

Using the Financial Framework Guidance

NACSA's Financial Framework (FF) is an accountability tool template designed for authorizers to *adapt* and use to monitor and assess the short- and long-term financial viability of an individual school, and to determine if additional analysis is necessary to make a final, fair, reasonable, and informed assessment of a school's financial viability.

This FF template consists of a comprehensive set of short- and long-term financial indicators and measures and specific methodologies for calculating a school's performance on each indicator or measure.

The FF also includes measures related to financial management and oversight that, in previous versions of NACSA's Performance Frameworks, were included in the Organizational Framework, but are more appropriately included in the FF, given their clear impact on a school's financial health and viability. One of these financial and oversight measures is a quality measure because it goes beyond quantifiable financial performance, reporting and compliance, and is instead a more qualitative approach to assessing board and leadership stewardship of a school's financial health and mission. (See the Organizational Framework for more discussion on compliance vs. quality measures).

Though the FF tool is geared to monitoring and evaluating independent, freestanding schools as well as schools that contract with an Educational Service Provider (ESP)[2], it can be readily adapted to assess how the financial performance and trends of a single school impact a larger combination of related schools in a Network, EMO, or CMO, or conversely, how an individual school's financial health may be impacted by an ESP's financial position. (Please see accompanying guidance entitled "Financial Assessment and Oversight of Charter School Management Organizations: A Primer for Authorizers.")

TIMING IS EVERYTHING

The timing of financial reports and statements can be a tricky factor in an authorizer's monitoring and evaluation of a school's financial performance because much of the data used to calculate performance comes from a school's annual independent financial audit, typically released three to six months *after* the end of the previous fiscal year. Much can change during that time span, so authorizers should take into consideration current year financial information and trends in their financial oversight decisions and actions, particularly when questions of financial viability arise.

NACSA's Financial Framework is an accountability tool template designed for authorizers to *adapt* and use to monitor and assess the short- and long-term financial viability of an individual school, and to determine if additional analysis is necessary to make a final, fair, reasonable, and informed assessment of a school's financial viability.

[2] For the purposes of this guidance, an Educational Service Provider (ESP) is defined as a for-profit Educational Management Organization (EMO), nonprofit Charter Management Organization (CMO), or a tight- or loose-knit Network of charter schools operated by an EMO or a CMO.

IN-HOUSE OR CONSULTANT CAPACITY AND SKILLS NEEDED

While the FF provides a good starting point, authorizers are encouraged to develop the capacity to understand the measures being assessed, to gather additional information when necessary, to perform accurate calculations, and to analyze the totality of financial performance results, including determining which measures and results most impact or reflect the financial viability of a specific school.

Equally important is that authorizers develop the capacity to perform follow-up analysis of schools that do not meet one or more financial performance standards, to determine whether a school is truly at financial risk. If an authorizer determines a school is not financially viable, the authorizer has a responsibility to determine appropriate actions, including whether to place a school on a "financial watch list" or implement some other intervention consistent with the authorizer's policies.

Not all authorizers have financial expertise in-house. While some financial monitoring activities can be carried out by one or more staff members with appropriate guidance or training, additional expertise may at times be needed. If an authorizer does not have the in-house capacity to perform accurate financial calculations and related analysis, the authorizer may need to retain a consultant with these skill sets.

Some authorizers require independent auditors to complete FF calculations as part of an annual audit engagement with charter schools and share those results with the authorizer in an audit report or management letter. In such cases, an authorizer is still responsible for performing independent financial analysis and assessment and for taking appropriate, relevant, corrective follow-up actions.

An important strategy for authorizers to consider—especially those with limited in-house or consultant capacity—is risk-based financial monitoring. In essence, this means limiting the time devoted to oversight of those schools with a demonstrated record of consistent, acceptable academic and financial performance, stable leadership and governance, steady or growing enrollment, consistently positive bottom lines, strong balance sheets, and at least one full unconditional charter renewal. A risk-based monitoring approach is a way for authorizers to devote limited staff and/or consulting resources to focus on monitoring of schools that are encountering financial performance or management challenges.

ADAPTING THE FINANCIAL FRAMEWORK TO CONSIDER LOCAL CONTEXT

NACSA's FF is not a one-size-fits-all tool. It is intended for authorizers to adapt into an authorizer-specific financial framework reflective of local context, including applicable state laws and compliance requirements. It must also be applicable to the life cycle or the financial model of a school, such as new schools in early stages of operation that are adding grades and/or students annually, or seasoned schools that have reached full enrollment.

The financial indicators and measures in the FF template provide authorizers with monitoring and evaluative options. **An authorizer does not necessarily need to use all the measures in the FF to ascertain a school's financial health and viability, though it is critical to include measures of near-term and longer-term financial viability, as well as measures specific to financial management and oversight.** An authorizer may determine, for example, that the qualitative financial management and oversight measure goes beyond the scope of their capacity or approach to oversight and therefore not include that measure. Or an authorizer may include that measure only for schools that have not consistently demonstrated strong financial performance. An authorizer may also need or want to add one or more measures to satisfy legal or charter contract requirements. For example:

- If an authorizer's state law requires schools to maintain a certain fund balance level, an authorizer can adapt the FF to include a measure consistent with that requirement.

- If an authorizer has a policy by which schools cannot be considered financially viable if they carry facility debt service (or lease expenses) greater than, for example, 20% of total annual revenues, an authorizer can adapt the FF to include a measure of this requirement.

While the measures and targets here are based on industry standards, an authorizer should adjust them to ensure they are appropriate for local context and the authorizer's portfolio of schools. For example, if requiring a school to have 60 days or more unrestricted days cash is too high or too low, based on an authorizer's experience and local context (factors such as per-pupil funding levels or the local real estate market), an authorizer should adjust accordingly.

Although a charter school as a public entity is not intended to be profitable, it is important for schools to build or maintain, rather than deplete, unrestricted reserves. This positions a school to support growth, sustain the school in an uncertain funding environment, address unforeseen contingencies, invest in facilities acquisition or development, and/or make investments in programs to benefit student learning. This is another area in which authorizers should work with individual schools to determine an appropriate level of reserves per school, given the local context and a school's short- and long-term strategic plans.

No single financial performance measure can or should be used to assess the financial situation, trends, or ongoing viability of a charter school.

WHEN A SCHOOL DOES NOT MEET ONE OR MORE FINANCIAL FRAMEWORK STANDARD

No single financial performance measure can or should be used to assess the financial situation, trends, or ongoing viability of a charter school. Nevertheless, when a school does not meet the standard for a specific FF measure, the authorizer seeks more information (similar to follow-up done when Academic Framework or Organizational Framework measures are not achieved). A rating of "Does Not Meet Standard" on a single measure is not necessarily an indication of financial distress. However, an authorizer should understand the reasons for financial underperformance, assess the severity of the situation, and, if necessary, determine an appropriate course of action or intervention.

When a school does not meet the standard on two or more measures of Near-term Financial Health or Longer-term Financial Stability, an authorizer should review previous year's FF results and the school's most recent unaudited financial statements to examine trends and the school's current year financial activity vs. the approved budget. Depending on the circumstances, an authorizer may require additional action by the school, such as:

- Submission of an updated current year cash flow projection;
- Submission of updated enrollment data and or future enrollment projections, and/or providing an explanation of enrollment shortfalls;
- Current year budget revision(s) and/or submission of quarterly or more periodic budget vs. actual income statements prepared on a GAAP basis;
- Submission of three-to-five-year financial projections; and/or
- A written explanation of the reasons a school did not meet two or more financial standards and/or submission of a Corrective Action Plan (CAP) to address the situations.

If a school is in default of loan covenants or has other challenges related to long-term debt, an authorizer should review loan or bond documents issued by the lending institution, trustee, or bondholder of the loan and initiate a discussion with these external parties to better understand the circumstances creating a default or other challenges. Authorizers should be cognizant that it is not uncommon for lenders, trustees, or bondholders to grant waivers for unmet covenants if debt service payments are not impacted. However, if a waiver is not granted for any default situation, an authorizer may require a corrective action plan (which could be the same plan as provided to a lender, trustee, or bondholders) and closely monitor the school's progress in executing the plan and getting out of a default status.

If a school does not meet the standard on one or more measures of Financial Management and Oversight, especially if an audit identifies material conditions, major findings, or significant weaknesses in internal controls, the authorizer may require additional action by a school's governing board. While the authorizer should not dictate how a school remedies deficiencies, suggested developmental approaches may include areas such as:

- Revision and/or development of appropriate and comprehensive board-approved financial policies;
- Board financial oversight training;
- A written explanation of the circumstances behind an adverse rating if the reasons are not indicated in notes to an independent audit report or in a Management Letter provided by an independent auditor; and/or
- Submission of a Corrective Action Plan.

In instances where schools do not meet multiple standards across the three categories of financial

performance, an authorizer should communicate directly with the school's governing board and leadership to better understand the situation, assess the school's explanation for failure to meet multiple standards, and determine appropriate next steps. If an authorizer requires submission of a financial Corrective Action Plan (CAP), the authorizer should closely monitor implementation of that CAP and financial oversight being performed by a school's governing board and/or finance committee.

ARE SOME STANDARDS MORE IMPORTANT THAN OTHERS?

The simple answer is yes. Banks and lending institutions are often satisfied with three financial performance standards:

1. Unrestricted Days Cash;
2. Debt to Asset Ratio; and
3. Debt Service Coverage Ratio.

Why is this? The simple answer is that it is hard to *engineer* an improvement to one of those three measures without negatively impacting one or more of the other two. For example, a school can borrow funds (via a loan or line of credit) to increase days cash but doing so will adversely affect Debt to Asset Ratio.

Authorizers may want to designate certain standards as absolutes which, if not met, must trigger immediate authorizer follow-up, for example: failure to meet Unrestricted Days Cash requirements or failure to meet debt service obligations.

NACSA's FF can be adapted to identify standards or measures that are considered "hard" and some that are "softer." *Hard* standards must be met to receive an overall assessment of financial viability. *Softer* standards may be more advisory or informative in nature.

In the end, the decision as to which indicators should be applied or emphasized by a financial accountability system ultimately depends on state and local requirements and the particular needs of each authorizer. It is also worth noting that **while the FF may be the *formal* tool used by the authorizer to make high stakes decisions, it should not be the only tool an authorizer uses to track financial performance and sustainability.** An authorizer may also want to use additional internal measures (e.g., Enrollment Trends) to trigger further review or intermediate corrective actions. Additional internal tracking measures, however, should be used judiciously and only for critical purposes, so as not to inappropriately require schools to spend an unnecessary time on reporting.

In short, effective authorizer financial performance monitoring comes down to determining, for a particular locale and portfolio of schools, which financial standards are most important—i.e., are true, accurate measures and/or predictors of financial viability and trends for schools. More standards do not necessarily mean better standards.

ANALYSIS SECTION

An important addition to this FF guidance is the inclusion of an analysis section for each measure. This is a place for the authorizer to provide narrative context for calculations and/or ratings. These may include explanations for ratings that do not meet the standard, a discussion of trends, more updated data from the current fiscal year, and/or insight from the school that facilitates a deeper understanding of the school's financial situation. The "Tips for Authorizers" that follow a number of the measures below provide some guidance on what authorizers might include in the analysis sections for given measures.

SOURCES: INDEPENDENT AUDIT REPORT – CONTENT REQUIREMENTS

NACSA encourages authorizers to require (ideally in the form of standard language in each charter contract) that independent annual financial audits be prepared on a full or modified-accrual accounting basis. Cash or modified-cash based audits, though issued for school districts in some states, insufficiently present and sometimes distort the financial results and viability of a charter school.

In order to apply the FF effectively, accurately, and fairly, authorizers should require that independent audits reports and accompanying notes include:

- An accrual-basis balance sheet;
- An accrual-basis income statement;
- A statement of cash flows;
- Detailed notes to audited financial statements to include disclosure of financial transactions with inter- and intra-related organizations;
- Initial and revised board-approved annual budgets and enrollment targets compared to actual enrollment information; and
- Debt schedules indicating total annual principal and interest due until and in the final year of the financing term.

Financial Statements Commonly Included in Nonprofit or Governmental Audits			
For-Profit	**Nonprofit**	**Government-wide**	**Governmental Funds**
Balance Sheet	Statement of Financial Position	Statement of Net Position	Balance Sheet – Governmental Funds
Income Statement	Statement of Activities and Changes in Net Assets	Statement of Activities	Statement of Revenues, Expenditures, and Changes in Fund Balances

GLOSSARY OF TERMS

A glossary is available for reference as an appendix.

Indicators and Measures in Detail

INDICATOR 1
Near-Term Financial Health

CURRENT RATIO

Measure 1a: Current Ratio
Is the school positioned to meet its financial obligations over the next year?

Meets Standard
Current Ratio is greater than or equal to 1.1.

Does Not Meet Standard
Current Ratio is greater than or equal to 0.9 and less than 1.1.

Falls Far Below Standard
Current Ratio is less than 0.9.

Formula: Current Ratio = Current Assets ÷ Current Liabilities

Data source: Audited balance sheet

Basis for Standard: The Current Ratio depicts the relationship between a school's current assets and current liabilities and measures a school's ability to pay its obligations over the next 12 months.

A Current Ratio of greater than 1.0 indicates that a school's current assets exceed its current liabilities, thus indicating that a school is likely to be able to pay its short-term obligations. A ratio of 1.1 is preferable for charter schools, however, because this means a school is financially well-positioned to meet all short-term obligations and unplanned contingencies potentially affecting funding or cash flow, such as an economic recession or a pandemic. A ratio of less than 1.0 indicates that a school does not have sufficient current assets to cover all current liabilities and may not be able to meet all financial obligations over the next 12 months. A ratio of less than 0.9 may indicate a more challenging situation.

UNRESTRICTED DAYS CASH

Measure 1b: Unrestricted Days Cash
Does the school have sufficient cash available to fund day-to-day operations?

Meets Standard
Unrestricted Days Cash is greater than or equal to 60 days.
or
Unrestricted Days Cash is greater than or equal to 30 days but less than 60 days with a positive increase in days cash in the most recent fiscal year.

Does Not Meet Standard
Unrestricted Days Cash ratio is greater than or equal to 30 days but less than 60 days
and
Unrestricted Days Cash decreased (i.e., showed a negative trend) in the most recent fiscal year.

Falls Far Below Standard
Unrestricted Days Cash ratio is less than 30 days.

Note: Schools in their first or second year of operations must have a minimum of 30 days cash.

Formula:
Unrestricted Days Cash = Unrestricted Cash ÷ ([Total Expenses – Depreciation Expense*] ÷ 365)

* Depreciation expense is booked as an operating expense for income statement purposes, but it does not involve an outlay of cash; therefore, depreciation expenses do not decrease total available cash, and therefore is removed from the total expenses' denominator.

Data source: Audited balance sheet and income statement

Basis for Standard: The Unrestricted Days Cash ratio indicates how long a school can pay ongoing operating expenses without additional inflow of cash. A school will have sufficient cash available to meet financial obligations requiring cash outlays if its unrestricted days cash ratio is greater than 60 days or between 30 and 60 days and the most recent one-year trend is positive (i.e., days cash increased from the previous year).

Unrestricted Days Cash is one of the most important financial performance measures for a charter school. This standard takes on additional importance in states and locales where the timing of school payments is irregular and/or can be delayed. Due to the nature of charter school cash flow and the sometimes-irregular receipt of revenues, a 60-day threshold is an appropriate standard for seasoned charter schools. An unrestricted days cash standard of 60 days is also commonly established by debt financing covenants.

Unrestricted Days Cash is one of the most important financial performance measures for a charter school.

Authorizers should consider local funding levels and nuances when setting an Unrestricted Days Cash standard. In certain circumstances (such as in low-funded markets or states, or when schools in early stages of operations have started small and are adding new grades and/or students each year, or in instances where a school is not carrying significant debt), 30 days cash can provide sufficient coverage to ensure a school is able to pay for all ongoing operating expenses.

In fact, in instances where a school has 30 or more Unrestricted Days Cash on hand and the school has also reported an increase in days cash for the most recently completed fiscal year, it may be fair and appropriate to set the unrestricted days cash standard at 30 days unrestricted cash if total cash is also increasing.

TIPS FOR AUTHORIZERS:

- Significant revenues or expenses that land on either side of the fiscal year end, such as state aid payments to the school or salary payments to staff, can greatly impact this calculation and should be considered and discussed in the analysis of this measure. For example, if payday falls right before the end of the fiscal year, an audit will report less (possibly significantly less) cash than if a payday occurs after the beginning of a new fiscal year.

- In an instance where a school has barely exceeded the 30-days Unrestricted Days Cash minimum after increasing days cash in the most recent fiscal year, this should be noted in accompanying analysis and an authorizer should closely monitor current year financial activity and cash flow.

- Restricted cash, if any, should be reported on an audit's balance sheet or in the notes to the financial statements and should not be included in cash balance amounts used to calculate *Unrestricted* Days Cash because restricted cash is not readily available for general or normal school operations.

- Outstanding lines of credit should be included in cash balance amounts used to calculate *Unrestricted* Days Cash but should be noted in accompanying analysis, with the analysis noting when the line of credit was accessed and when it is payable. In instances where a school may access a line of credit to meet Unrestricted Days Cash requirements, its Debt to Asset Ratio and Current Ratio will be negatively impacted.

- In the case of schools that are part of Networks or organizations that transfer funds to and from individual schools for cash management or other purposes, authorizers should ensure accounts payables and accounts receivables booked to individual schools zero out. A consolidated audit presentation (or a supplemental schedule) will show this reconciliation. If inter- or intra-organizational receivables and payables do not net out, an authorizer should determine why this is the case and possibly consult with a school's independent auditor. If the discrepancy is a significant amount, this is a major red flag, and the authorizer should investigate immediately. (Please see accompanying guidance entitled "Financial Assessment and Oversight of Charter School Management Organizations: A Primer for Authorizers.")

DEBT DEFAULT

Measure 1c: Debt Default
Has the school defaulted on one or more loan covenant(s) or is it delinquent with debt service payments?

Meets Standard
The school has not defaulted on one or more loan covenant(s) and is not delinquent on debt service payments.

Does Not Meet Standard
Not Applicable.

Falls Far Below Standard
The school is in default of loan covenant(s) and/or delinquent on debt service payments.

Formula: Not applicable.

Data source: Notes to the audited financial statements and/or independent auditor provided management letters

Basis for Standard: Debt Default indicates that a school has not met debt service payment obligations or has failed to comply with financing covenants *and* the lender or financing source has notified a school that it is in default. Schools that are not meeting debt-related obligations, either through missed payments or underpayments of debt service, or violations of significant debt covenants, such as days cash and/or Debt Service Coverage Ratio (DSCR), are at financial risk.

TIPS FOR AUTHORIZERS:

- Lenders, bond trustees, or bond investors often waive unmet covenants, particularly those that have no impact on timely debt service payments or are considered immaterial by a capital provider. It is not uncommon for covenants that are essentially compliance or reporting in nature to be waived, in some cases, year-after-year. In such cases, accompanying analysis should note the waiver. An authorizer may also want to rate the school as "approaching the standard" if debt service payments have been made on time yet other covenants have not been met.

- Given the complexities and requirements involved with servicing debt, and factors such as lease aid reimbursements and/or related facility holding companies or LLCs, each authorizer should determine the best application and precise definition of the debt default standard.

INDICATOR 2
Long-Term Financial Stability

TOTAL MARGIN AND AGGREGATED THREE-YEAR TOTAL MARGIN RATIO

Measure 2a: Total Margin and Aggregated Three-Year Total Margin Ratio
Does the school operate with a surplus?

Meets Standard
Aggregated Three-Year Total Margin Ratio is positive, and the most recent fiscal year Total Margin is positive.
or
Aggregated Three-Year Total Margin Ratio is greater than -1.5%, the trend is positive for the last two years, and the most recent year Total Margin is positive.

Does Not Meet Standard
Aggregated Three-Year Total Margin Ratio is greater than -1.5%, but trend does not "Meet Standard."

Falls Far Below Standard
Aggregated Three-Year Total Margin is less than or equal to -1.5%.
or
The most recent Total Margin is less than -10.0%.

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

Formula:

Total Margin = Net Surplus (or Deficit) ÷ Total Revenue

Aggregated Three-Year Total Margin = Total Three-Year Net Surplus (or Deficit) ÷ Total Three-Year Revenues

Data source: Three years of audited income statements

Basis for Standard: The Aggregated Three-Year Margin Ratio measures whether a school's cumulative revenues over a three-year period have exceeded cumulative expenses and whether the school has a surplus in the most recent fiscal year. This measure is important as it buffers the impact of single-year fluctuations.

The Total Annual Margin Ratio measures whether a school operated at a surplus (more total revenues than total expenses) or a deficit (more total expenses than total revenues) in the most recent fiscal year. To meet this standard a school must report a positive total margin in the most recent audited fiscal year.

Both components of the Total Margin Ratio are important to track because a school cannot operate at a deficit for a sustained period of time without risk of becoming financially unable to support or sustain operations or jeopardizing fidelity to the school's charter. The targets set for this measure allow for flexibility over a three-year timeframe in the aggregate but require a positive total margin for the most recent year to meet the standard. A Total Margin in any year of less than -10% or an aggregate three-year total margin less than or equal to -1.5% is an indicator of financial risk.

TIPS FOR AUTHORIZERS:

- General preference in any industry is that Total Margin is positive. However, a charter school may plan to incur a deficit in a given fiscal year by reducing its unrestricted fund balance for a strategic purpose, such as for growth, expansion, or replication, investing in technology, adopting a new curriculum, implementing a corrective action academic plan to improve school performance or mission attainment, or for facilities or other capital improvements. A deficit of any sort in the most recent year will result in a school not meeting this standard as defined above. Therefore, extenuating factors, specifically the reasons for a planned deficit, should be considered by an authorizer when assigning a FF rating and included as additional narrative analysis.

DEBT TO ASSET RATIO

Measure 2b: Debt to Asset Ratio
Does the school have sufficient resources to manage its debt?

Meets Standard
Debt to Asset Ratio is less than or equal to 0.9.

Does Not Meet Standard
Debt to Asset Ratio is greater than 0.9 but less than or equal to 1.0.

Falls Far Below Standard
Debt to Asset Ratio is greater than 1.0.

Formula: Debt to Asset Ratio = Total Liabilities ÷ Total Assets

Data sources: Audited balance sheet and notes to audited financial statements

Basis for Standard: The Debt to Asset Ratio measures the percentage of a school's total liabilities compared to its total assets. It therefore measures the extent to which a school relies on borrowed funds to sustain its operations.

A low Debt to Asset Ratio (0.9 or below) generally indicates a strong balance sheet and financial health. A Debt to Asset Ratio higher than 0.9 but less than 1.0 should be flagged by an authorizer, particularly if this ratio has declined from the previous year(s). A Debt to Asset Ratio equal to or greater than 1.0 is an indicator of potential short- and long-term financial issues, as the organization owes more than it owns, therefore reflecting a risky financial position.

This ratio is particularly relevant for schools that own a building or have other long-term debt such as financing for buses, other vehicles, or other equipment. The calculation includes both current and noncurrent assets and liabilities.

TIPS FOR AUTHORIZERS ABOUT GOVERNMENT ACCOUNTING STANDARDS BOARD (GASB) REQUIREMENTS:

- **GASB 87** defines a lease as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in a contract for a period of time in an exchange or exchange-like transaction.

  What does this mean? GASB 87 requires all contracts fitting the lease framework to be reported like a capital lease. There are no more operating leases unless the lease is short-term in nature, defined as 12 months or less without a possibility of renewal. Under the single approach to accounting for and reporting leases, a lessee (e.g., school) will recognize a lease liability and a corresponding intangible asset representing the lessee's controlling "right to use" the asset. In conjunction with reporting the asset and liability, the lessee's audited financial statements will also report amortization expense of the intangible asset over the shorter of the life of the asset or the lease. Audited statements will also report an expense (interest) on the lease liability and footnote or note disclosures about the lease and its terms.

  Why is this important? Implementation of GASB 87 is effective starting with FY 2023. Going forward, a school's financial statements can be materially impacted by the implementation of GASB 87, potentially resulting in a significant increase in the Debt to Asset ratio. Authorizers may consider computing this ratio with and without the GASB 87 adjustment to determine the impact or offer a two- to three-year "hold harmless" period, which is time enough to allow schools that are impacted to evaluate whether lease agreements are structurally reasonable or require modification. During the "hold harmless" period, if schools meet the standard (as previously calculated), an authorizer may rate the school as "meeting the standard" or "approaching the standard" and include relevant discussion in the accompanying analysis.

  GASB 67 and 68, combined, require schools that participate in a state's retirement system to report their proportionate share of pension assets and liabilities in annual independent audits. However, for schools operating in a state with an underfunded pension plan (i.e., unfunded pension liabilities), pension-related assets and liabilities should be excluded from the Debt to Asset computation and so noted in the accompanying analysis. Inclusion will distort an individual school's Debt to Asset Ratio.

  In fact, unless required by statute, authorizers should strongly consider excluding from Debt to Asset calculations any state pension-related assets or liabilities because these inclusions to audited financial statements, though required, do not bear on a school's financial viability or trends.

DEBT SERVICE COVERAGE RATIO

Measure 2c: Debt Service Coverage Ratio
Is a school able to cover its debt obligations?

Meets Standard
Debt Service Coverage Ratio is greater than or equal to 1.1.

Does Not Meet Standard
Debt Service Coverage Ratio is less than 1.1.

Falls Far Below Standard
Not applicable.

Formula:
Debt Service Coverage Ratio = (Change in Net Position + Depreciation Expense + Amortization Expense +/- Pension Adjustments + Interest Expense + Rent/Lease Expense) ÷ (Principal Payments + Interest Expense + Amortization Expense + Rent/Lease Expense)

Rationale for Formula: Depreciation expense is added back to net income because it is a non-cash transaction. Interest expense is added back to net income because it is one of the expenses an entity must pay, which is also why it is included in the denominator. Pension adjustments now required by GASB 67 reflect a school's proportional actuarially computed share of its state pension plan's unfunded liabilities, but do not represent a true liability of the school. Pension adjustments are therefore added back to net income to avoid distorting the calculation of DSCR.

Data sources:
- Net income: audited income statement
- Depreciation expense: audited income statement or notes to the audited financial statement
- Interest expense: audited income statement
- Annual principal and interest obligation: audited income statement, notes to the audited financial statement, or information to be provided by the school
- Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities

Basis for Standard: Debt Service Coverage Ratio (DSCR) is commonly used as a debt covenant measure across industries, particularly for facilities-related debt. A ratio of 1.1 or greater is a common industry standard used to determine whether organizations are healthy enough to meet debt- and occupancy-related obligations and generate a surplus.

For charter schools specifically, the DSCR indicates a school's ability to cover its debt obligations, including leases, in the most recent fiscal year. This ratio measures whether a school generated sufficient net revenues to pay principal and interest due on debt and/or on lease obligations.

TIPS FOR AUTHORIZERS:

- Bond or financing covenants for charter schools often contain specific DSCR requirements that may be different from this NACSA guidance. (For example, it is not uncommon for the DSCR requirement to be set at 1.0, if, for example, accompanying days cash requirements are met). Authorizers should align this measure to a school's specific type, size, indebtedness, and/or lease obligations—and, in the case of a seasoned school, authorizers may want to apply a risk-based approach. For example, if a school has over 180 days cash, a DSCR measure of 1.0 may be appropriate if state per pupil and other funding is stable and predictable.

- GASB 67 requirements complicate meaningful, apples-to-apples calculation of certain performance standards, particularly Debt to Asset Ratio (above) and DSCR. GASB 67 is intended to ensure public disclosure of unfunded pension liabilities at the participating entity level, even though a charter school has no control or influence over this "accrual," and the liability rests with the state. A school's only responsibility is to make pension payments monthly as prescribed. Presenting a proportion of the state's liabilities on a school's financial statements may be warranted for public disclosure purposes but should not be a factor impacting calculation of school-specific financial metrics, including DCSR.

UNRESTRICTED FUND BALANCE

Measure 2d: Unrestricted Fund Balance
Does the school have a sufficient Unrestricted Fund Balance to serve as a cushion for unexpected situations or to help fuel growth or investment in new programs?

Meets Standard
Unrestricted Fund Balance is greater than or equal to 16.67% of total annual operating expenses.

Does Not Meet Standard
Unrestricted Fund Balance is greater than 8.33% and less than 16.67% of total annual operating expenses.

Falls Far Below Standard
Unrestricted Fund Balance is less than 8.33% of total annual operating expenses.

Formula: Unrestricted Fund Balance percentage = Unrestricted Fund Balance ÷ Total Operating Expenditures

Data sources:

- Unrestricted Fund Balance: audited balance sheet
- Annual expenditures: audited income statement

Basis for Standard: Depending on the state, this measure may or may not be relevant. In some states, statutes, regulations, or other guidance require public schools and/or charter schools to maintain an Unrestricted Fund Balance at a certain level (though there are states that also restrict the fund balance level or percentage traditional public-school districts can carry). A school's Unrestricted Fund Balance indicates the total amount of net assets a school has available for future operations or investment in growth exclusive of restrictions. This typically refers to General Funds balance and not Total Government Funds balance because funds such as a student-activities fund or a community-service fund may be restricted.

In states where charter schools are required by law, regulation, or other guidelines to maintain fund balances at a prescribed minimal level, or where a percentage of charter school funding payments are "held back" or per-pupil funding levels vary year-to-year (due to revenue sources or other factors), this may also be an applicable standard.

While an Unrestricted Fund Balance greater than two months (16.67%) of operating expenditures is a generally accepted indicator for identifying organizations healthy enough to meet obligations for two months, this measure differs from a 60 days unrestricted cash standard when, for example, a state's funding mechanism contains state aid "holdbacks," such as in Minnesota, where 10% (or more) of total per-pupil or per school allocations are retained by the state until the end of a given fiscal year. In such situations, an Unrestricted Fund Balance level higher than 60 days (16.67%) may be needed, especially for new or small schools.

Authorizers should set the standard for this measure at a level that experience suggests is sufficient to ensure a school will remain financially sustainable through unanticipated drops, reductions, or holdbacks in revenues or increased expenditures over budget. A standard such as this, and the need for it, should be considered in the context of state funding mechanisms and reporting or operating requirements.

INDICATOR 3
Fiscal Management and Oversight

ANNUAL FINANCIAL AUDIT

Measure 3a: Annual Financial Audit
Do independent financial audit results demonstrate that a school is meeting basic financial management, controls, and oversight expectations?

Meets Standard
The school materially complies with applicable laws, rules, regulations, and provisions of the charter contract relating to financial management, controls, and oversight as evidenced by an annual independent financial audit, such as:

- The audit report contained an unqualified audit opinion.
- The audit report was devoid of significant findings, material conditions, or significant internal control weaknesses.
- The audit report (including separate or supplemental schedules) identified no repeat findings of significance.
- The audit report did not include a going concern disclosure in the notes or an explanatory paragraph within the audit report.

Does Not Meet Standard
The school's independent financial audit does not meet one or more of the Meets the Standard indicators, and therefore the school is not meeting basic financial management, controls, or oversight expectations.

> **Formula:** This is a standard that is either met or not based on criteria established by individual authorizers and it may include all or some of the dot-point items above or be locally tailored.

Data sources: Annual, independently audited financial statements, audit reports and Notes, and accompanying Management Letters

Basis for Standard: Independent auditors annually evaluate a charter school's unaudited financial statements and the school's financial policies and practices against Generally Accepted Accounting Principles (GAAP) and internal control guidelines, issue auditor-certified annual financial statements, and render an opinion accompanying audited financial statements. A financially sound or strong charter school's audited financial statements should always be accompanied by an unqualified independent auditor's opinion, and be devoid of any significant deficiencies, conditions, or material weakness noted by the auditor or statements or suggestions that the auditor has concerns about the school's financial management, accounting practices, or ongoing financial viability.

An unqualified opinion confirms that audited financial statements issued for public consumption have been determined by an independent auditor to be materially accurate and complete. A qualified auditor's opinion, by contrast, raises a red flag for an authorizer. A qualified opinion is issued when an auditor has concerns about the reliability of the financial statements and, in some cases, a school's ongoing viability. The reasons for an qualified auditor's opinion are typically detailed in Audit Notes and in a separate management letter directed to the attention of the school's governing board.

Authorizers should be sure that requirements speaking to submission of independent annual audits include provision of accompanying Management Letters and any separate examination of internal control weaknesses and summary of corrective actions taken to address previously disclosed weaknesses.

TIPS FOR AUTHORIZERS: FOLLOW-UP TO A PROBLEMATIC AUDIT

- If a school's independent audit is accompanied by a qualified opinion and/or includes audit notes or a management letter that disclose significant deficiencies, material conditions, or weaknesses, including going concerns, an authorizer should take immediate action to investigate and understand the underlying issues, determine what the school leadership and governing board's rectifying plan of action is—and whether it is realistically achievable— and decide what, if any, type of authorizer intervention is warranted. Authorizer follow-up may necessitate direct discussion with the school's independent auditor.

FINANCIAL REPORTING AND COMPLIANCE

Measure 3b: Financial Reporting and Compliance
Has the school met 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 timely and complete submission of required documents, such as:

- Reporting to the state;
- Reporting to the authorizer;
- Making payroll and related IRS submissions and payments on time, to include timely filing of IRS Form 990s; and
- Making full and timely teacher and other retirement fund payments.

Does Not Meet Standard

The school does not materially comply with applicable laws, rules, regulations, and provisions of the charter contract relating to financial reporting requirements due to failure to make timely and complete submission of required documents, including failure or unwillingness to provide additional information requested by the authorizer.

Formula: This is a standard that is either met or not based on criteria established by individual authorizers and it may include all or some of the dot-point items above or be locally tailored.

Data sources:
Statutory, regulatory, charter contract, and authorizer compliance requirements and the timing and completeness of applicable reporting and submissions

Basis for Standard: This measure determines whether a school is doing accurate, complete, and timely financial reporting to external entities, making all payroll and employee benefits payments on time and in full, and complying with other actions required by an authorizer, the state, and other external or stakeholder entities.

ENROLLMENT VARIANCE

Measure 3c: Enrollment Variance
Is the school meeting its enrollment projections?

Meets Standard
Enrollment Variance equals or exceeds 95%.

Does Not Meet Standard
Enrollment Variance is greater than or equal to 90% but less than 95%.

Falls Far Below Standard
Enrollment Variance is less than 90%.

Formula:
Enrollment Variance = Actual Enrollment* ÷ Enrollment Projection from the Original Board-Approved Budget

*Actual enrollment refers to the enrollment level that determines funding, whether based on one count date or the average of multiple count dates.

Data sources:

- Projected enrollment: Original board-approved budget
- Actual enrollment: Independent financial audit, state department of education, and/or the school

Basis for Standard: The Enrollment Variance measure depicts actual versus projected enrollment and indicates the extent to which a school is meeting its enrollment projections. Since enrollment is often the key driver of revenues, tracking actual enrollment variance from enrollment assumptions driving approved budgets is important for gauging the sufficiency of pupil-driven revenues generated to fund ongoing operations.

A school develops its budget based on projected enrollment prior to the start of the fiscal year, but is funded based on actual enrollment; therefore, a school that fails to meet its budgeted enrollment targets may not be able to meet its budgeted expenses. Since school budgets are generally designed to align expenses to projected revenues, any actual enrollment level that falls below budgeted enrollment may be an indicator that a school could experience some financial strain and may need to immediately reduce planned expenditures.

Enrollment Oversight Rules of Thumb

- A school with actual enrollment equal to or greater than 95% of projected and budgeted enrollment is likely to generate sufficient revenue to cover projected expenses.
- An Enrollment Variance of less than 95% should be flagged because a school may not generate sufficient operating funds to meet all planned expenses contained in an approved budget and thus the school may be at risk of financial distress and/or not implementing its academic program with fidelity.

▪ An Enrollment Variance of 90% or lower means the school's actual enrollment and per-pupil driven revenues will be 10% or more below budgeted projections. A school in this situation will, in all likelihood, experience financial strain in the current year and will need to cut and/or control expenses unless it has large unrestricted cash reserves that can be deployed on a one-time basis (though doing so will result in a reported net loss).

TIPS FOR AUTHORIZERS:

▪ To calculate Enrollment Variance, an authorizer uses the projected enrollment from the original board-approved budget prior to the start of the fiscal year. The board may revise the budget throughout the year to adjust for enrollment changes (among other things), and such revisions may be an indication of effective budget oversight and management (see below). Nonetheless, the enrollment variance calculation is based on total enrollment in the original budget in relation to actual enrollment or enrollment criteria that drive funding (such as Average Daily Attendance in some states) because it is this variance that can cause financial stress, the need to adjust planned expenditures, and potentially an inability to deliver on the promised programming to students. The authorizer should use the narrative analysis to provide information related to budget revisions in cases where enrollment is below original projections. Since per-pupil funding mechanisms vary across states and may consist of one count date, multiple count days, or average daily enrollment for the entire year, budgeted enrollment should reflect enrollment funding mechanisms and therefore can be used for apples-to-apples comparisons and enrollment monitoring.

FINANCIAL OVERSIGHT (QUALITY MEASURE)

Measure 3d: Financial Oversight
Does the school and its governing board effectively establish and approve annual budgets, monitor budget implementation, and ensure the ongoing financial health and success of the school?

Meets Standard
The school and its governing board establish, approve, and monitor annual budget execution and safeguard the financial health and activities of a school by consistently demonstrating some or all of the following:

▪ The Board has adopted and maintains financial-related policies for the school's basis of accounting, segregation of duties, physical security of assets, budget development and approval process, preparation and review of internal financial reports, purchasing and procurement processes, conflicts of interest disclosure, and to ensure compliance with any and all reporting requirements.

▪ The Board consistently reviews financial reports and statements including a balance sheet, a budget-to-actual income statement, a cash flow statement, and a financial dashboard.

▪ The Board approves annual budgets by self-prescribed or charter contract- imposed deadlines and adjusts annual budgets as necessary (for example, if enrollment targets are not hit, or when specific revenue or expenses are no longer realistic or achievable).

- A school's financial planning and management practices include a three-to-five-year projected income statement (pro forma) and a 12-month rolling projected cash flow, developed by school leadership and/or a contracted financial services provider, and periodically reviewed and updated by leadership and the governing board. (This standard is particularly applicable to growing, expanding, or replicating schools.)
- The Board reviews annual independently audited financial statements, reports and management letters, and evidence suggests that all findings, whether material, significant, or deficient, are being addressed at the school leadership and board levels.
- The Board considers the school's financial health in relation to student outcomes and progress towards meeting the school's mission. (In other words, the Board's focus is on great outcomes for students and how or whether the financial health of the organization supports attainment of those outcomes.)
- The school has appropriate in-house, employed financial expertise and/or contracts with a reputable, proven, financial services provider.

Does Not Meet Standard
Authorizer review and available evidence suggests or confirms that the school (its leadership and/or governing board) has not put into place, is not putting in place or institutionalizing, or does not have the capacity to engage in adequate, responsible fiscal oversight as outlined above.

Basis for Standard: Financial Oversight includes an array of responsibilities that need to be carried out by a school's board and leadership to ensure appropriate and effective use of public funds, starting with developing, executing, and monitoring annual approved budgets. A school that lacks effective financial budgeting, monitoring, and oversight practices on the part of leadership and/or the governing board is likely to be or become financially at risk.

TIPS FOR AUTHORIZERS:

- This measure may be particularly relevant for schools that are struggling financially or trending negatively (i.e., key standards have chronically been unmet or are not now being achieved after historical "Meets the Standard" performance). This measure can and should be the basis for intensified authorizer monitoring, if not a trigger for issuing a prescribed list of corrective actions that must be taken and put in place before the end of the current fiscal year. For schools that are expanding beyond original intentions or replicating, this measure should be used to determine growth readiness from a financial systems and capacity standpoint.
- An authorizer may also use this measure to assess the progress of a new school in meeting ready-to-open standards, as it is critical that the board and leadership put strong financial management and oversight systems in place during a school's pre-opening phase.

Financial Oversight includes an array of responsibilities that need to be carried out by a school's board and leadership to ensure appropriate and effective use of public funds, starting with developing, executing, and monitoring annual approved budgets.

ORGANIZATIONAL FRAMEWORK GUIDANCE

Why This Matters

Authorizers are responsible for holding the charter schools in their portfolio accountable for sound and well-functioning organizational practices to protect the public interest. The Organizational Framework provides a comprehensive lens through which authorizers can assess the extent to which their charter schools are meeting operational expectations and protecting student and public interests while simultaneously honoring these schools' rightful autonomy to design and deliver school models that meet students' needs.

This Organizational Framework (OF) provides a flexible starting point derived from state and federal law and is designed to align with select components of both the charter application and contract. The OF indicators focus on the presence and quality of school processes that are legally or ethically required. These include, but are not limited to, board oversight, compliance reporting, protecting the rights of students and staff, and adhering to health and safety codes. The suggested indicators and measures contained in this framework set the stage for baseline compliance. Additionally, they push authorizers and schools to think more deeply about quality.

The Indicators in Today's Organizational Framework

INDICATOR 1 | Governing in the Public Interest

An authorizer enters into a charter agreement with a board of directors that is an important keeper of the public trust. This indicator area ensures that the board meets basic legal and contractual requirements, while also setting a bar for quality consistent with expectations for public nonprofit organizations.

INDICATOR 2 | Creating Great Places to Work

A school is nothing without its staff. This indicator assesses whether a school meets basic requirements such as teacher and staff credentialing and background checks while also having quality staffing outcomes that drive great outcomes for students.

INDICATOR 3 | Supporting Students and Protecting Students' Rights

As public schools, charters must protect students' rights, be open and accessible, and ensure all students are supported so that they can succeed both academically and personally. This indicator captures key areas of compliance and quality in these areas.

INDICATOR 4 | Delivering the Education Program

The educational program is the heart of a school. This indicator captures important aspects of the program that have a direct impact on student outcomes including compliance with educational requirements, fidelity to the school's key design elements, and delivery of a quality academic program that supports all students, including English learners and students with disabilities.

INDICATOR 5 | Maintaining a Safe and Positive Learning Environment

At a minimum, schools must be safe places for learning. This indicator captures these basic requirements 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.

INDICATOR 6 | Building a Cohesive Community

A strong school community is an important aspect of a quality school. The measure in this indicator area is designed to capture just that, and what it looks like will be different in each school. As such, how it is measured must be developed in collaboration with schools, not dictated to the schools.

INDICATOR 7 | Meeting Reporting Requirements

This indicator captures all non-financial reporting requirements that a charter school must adhere to. (Financial reporting is captured in the Financial Framework).

INDICATOR 8 | Complying with Additional Obligations

This 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 including any requirements that may have been enacted or changed after the Performance Framework was adopted into the charter contract.

Compliance vs. Quality

Many of the indicators in the Organizational Framework include both basic compliance measures and quality measures.

- Basic compliance measures ask a straightforward yes or no question related to baseline expectations in law or the charter contract. These measures assess requirements such as whether the board adheres to open meeting requirements or whether the school meets teacher credentialing requirements. Ratings for these measures are generally "Meets" or "Does Not Meet."

- Quality measures go beyond basic legal requirements and set a higher expectation. These assess more complex and nuanced areas of performance, such as whether a board has a shared understanding of and commitment to the school's mission; whether the school has staff recruitment, hiring, and retention policies and practices that foster great outcomes for students; and if a school is designing a comprehensive and effective program for serving students with special needs. Ratings for these measures are generally "Meets," "Approaches," or "Does Not Meet."

The suggested indicators and measures contained in this framework set the stage for baseline compliance. Additionally, they push authorizers and schools to think more deeply about quality.

Adapting the Organizational Framework

NACSA's Organizational Framework is not a one-size-fits-all tool. It is intended for authorizers to adapt into an authorizer-specific framework reflective of local context, including applicable state laws and compliance requirements, as well as an authorizer's philosophy and capacity. While compliance measures will likely be used by all and adapted to fit local requirements, an authorizer may lack capacity to effectively implement quality measures, or state law may prohibit accountability beyond anything that is not explicitly enumerated in law. Similarly, while NACSA prioritizes protecting school autonomy and drafted all measures with that in mind, some authorizers may view certain elements of the quality measures differently and wish to remove or change them.

In fact, in many cases these same quality measures can be leading indicators for student and financial outcomes. Authorizers may also consider how the quality measures can be used as guidance for schools and authorizers during the start-up year and as part of the ready-to-open determination.

DIFFERENTIATION

Authorizers may consider differentiated application of quality measures. For example:

- For well-established schools with a history of strong performance, an authorizer may implement only the *compliance* measures.
- For new schools or those with struggling performance, *quality* measures may provide guidance on how to improve for both the school and authorizer.

Meeting the standard does not require perfection. An authorizer must use professional judgment to determine if a school has substantially met the standard as presented.

Materiality

As with the Financial Framework, the concept of materiality matters. Meeting the standard does not require perfection. An authorizer must use professional judgment to determine if a school has substantially met the standard as presented. For example, a state's law requires that board members engage in annual training. One school has nine board members, eight of whom completed the training during the calendar year, one of whom completed the training two months late. Compare this to another school with nine board members, only three of whom completed the required training. The description of not meeting the standard for many measures in the OF is as follows: "The school fails to materially comply with applicable laws and the charter contract as outlined above." The fact that, in one school, one board member was two months late in completing training is likely not material, while the fact that, in another school, two-thirds of the board failed to complete the required training, likely is material.

Collecting Evidence and Evaluating Schools on the Organizational Framework

Authorizers should determine the amount and type of evidence necessary to determine whether the school is meeting each target and assess internal staff capacity when deciding how best to evaluate school organizational performance. Some measures in the OF require periodic monitoring, while others can be analyzed annually during site visits or through reports submitted by the school to and verified by the authorizer. Other measures still may only require an assurance of compliance by the charter school board but may require periodic verification or follow-up if concerns are raised.

Schools often are required by state law or the charter contract to develop annual reports. Other schools may create such reports to share information with their families, funders, and the community. Such reports can be useful to the authorizers and a powerful means for schools to tell their stories. **Authorizers should always seek to verify or triangulate evidence, when possible, no matter the source.**

Authorizers can also use third-party reviews. For example, an authorizer may rely on the special education division of the State Education Agency (SEA) for part of its assessment of compliance and quality of special education programming. Similarly, an authorizer will likely rely on city or state fire safety inspections or other local health and safety inspections or reports. This can reduce redundancy and burdens on schools.

At times, an authorizer 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 require direct fact-finding, especially if the complaint is a major infraction (e.g., school leadership is accused of cheating on state assessments), relates to student safety, or 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 SEA of its findings.

Potential sources of evidence are provided for each indicator and measure below.

Indicators and Measures in Detail

INDICATOR 1
Governing in the Public Interest

The quality of governance is a strong predictor of charter school success. It is also one of the most powerful ways for a school to connect to and be responsive to its community. A school with strong governance is more likely to have efficient operations, sound finances, and strong learning outcomes for students. Those outcomes, rooted in organizational performance, will satisfy the public interest in excellent publicly funded educational programs for all children in the community. **Strong authorizers engage governing boards instead of only interacting with school leaders.**

A charter school board has primary responsibilities which it cannot delegate. Boards must meet basic legal requirements such as board formation and reporting. Then, they have additional responsibilities which largely determine whether or not a school succeeds in serving the community:

- To establish a vision for the school;
- To hire and hold a school leader accountable for performance;
- To ensure all students are learning; and
- To serve as a fiduciary for the public funds generated for the education of the children attending the school.

The authorizer's role relative to governance is to assess a new school board's readiness to fulfill these duties at the application phase, and then to hold the board accountable throughout the life of the charter.

COMPLIANCE – GOVERNANCE

Measure 1a: Governance
Does the board comply with basic governance requirements?

Yes (Meets Standard)
The board materially complies with applicable laws and the charter contract regarding governance, such as:
- Board composition and/or membership rules (e.g., community representation, requisite number of qualified teachers, ban on employees or contractors serving on the board)
- Board policies
- Board bylaws, including election of officers
- State open meetings law
- State public records law
- Code of ethics
- Background checks
- Conflicts of interest
- Board member training

No (Does Not Meet Standard)
The school fails to materially comply with applicable laws and the charter contract as outlined above.

Data sources:
- Corporate formation documents (Article of Incorporation and Bylaws) and regulatory filings
- Board member disclosures or other signed documents related to compliance with ethics and conflict of interest requirements
- School website
- Board meeting agendas, materials, and minutes
- Board policies
- Board meeting observations
- Board assurance of compliance

QUALITY – GOVERNANCE

Measure 1b: Governance
Does the board fulfill its governance and fiduciary duties?

Meets Standard

The board demonstrates sound governance through policies and practices that foster accountability for performance with the following elements fully developed and functioning effectively:

- Board members have a shared understanding of and commitment to the school's mission and vision.
- Board members possess an array of appropriate and relevant skills with which to oversee the school and recruit additional members when a gap is identified.
- The board evaluates the school leader(s), its own performance, and/or the contracted Education Service Provider (ESP) consistently, in accordance with a written board policy.
- The board regularly reviews academic, financial, and organizational performance data to ensure all students are learning and the school is meeting performance expectations as outlined in the charter contract, and takes appropriate action as needed.
- The board ensures implementation of its policies, such as bylaws, code of ethics, and conflict of interest policy, and ensures they are kept up to date and legally compliant.
- If school operation is contracted to a management organization:
  – There is evidence of arm's-length negotiations for management and/or facilities contracts;
  – A written agreement exists that includes:
    ◦ 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;
    ◦ Financial reporting requirements and provisions for the school governing board's financial oversight.

Approaches Standard

One or more of the above elements is developing or in need of improvement.

Does Not Meet Standard

The school failed to implement sound governance as described above and the failure(s) was (were) material and significant to the viability of the school.

Data sources:

- Board meeting agendas, materials, and minutes
- Board member interviews
- Board meeting observations
- Board policies
- Management services contract
- Leadership evaluation policies and practices
- Strategic planning documents or other similar documents that highlight board planning, goal setting, and evaluation

TIPS FOR AUTHORIZERS

▪ A central role of a board of directors is setting expectations for and evaluating school leadership, be it an individual school leader or leaders or a contracted ESP. An authorizer should ensure that a policy and process is in place and implemented related to that evaluation; however, the authorizer will not typically see, nor would they want to see, the completed evaluation documents. Typically, evidence of the evaluation being completed, and high-level results of the evaluation, should be discussed at a charter school board meeting and reflected in the meeting minutes.

INDICATOR 2
Creating Great Places to Work

A high-performing public school does much more in terms of employment than meet baseline certification and other compliance requirements, such as publishing an employee handbook and hanging OSHA posters in the office or staff room. A high-performing school recruits, develops, and retains employees committed to academic excellence, organizational effectiveness, and fiscal solvency. Such schools ensure employees are respected and have the resources they need to be successful.

COMPLIANCE – STAFFING

Measure 2a: Staffing
Does the school comply with basic staffing requirements?

Yes (Meets Standard)
The school materially complies with applicable laws and the charter contract regarding employee qualifications and rights, such as:

▪ Background checks and clearances (for employees, contractors, and volunteers)
▪ Credentialing requirements (federal and state)
▪ Employee rights, such as, those relating to the Family Medical Leave Act (FMLA), the Americans with Disabilities Act (ADA), and employment contracts

No (Does Not Meet Standard)
The school fails to materially comply with applicable laws and the charter contract as outlined above.

Data sources:

▪ Record checks either annually or during site visits (or verified, when possible, through state education or other agencies collecting background check or credentialing information)
▪ Third-party reports such as court rulings
▪ Board assurance of compliance

QUALITY – STAFFING

Measure 2b: Staffing
Does the school create a work environment that fosters the professional growth and retention of effective employees?

Meets Standard

The school's talent management approach fosters a sustainable, inclusive work environment with the following elements fully developed and functioning effectively:

- Recruitment, hiring, and retention practices that build an effective team that can deliver on the school's mission and its stated goals
- Equitable compensation and benefits policies
- Professional development and other staff supports that meet educator needs consistent with the school's mission, key design elements, and goals
- Effective performance management practices, such as staff evaluation, onboarding, and performance improvement practices

Approaches Standard

One or more of the above elements is developing or in need of improvement.

Does Not Meet Standard

The school failed to implement the program as described above and the failure(s) was (were) material and significant to the viability of the school.

Data sources:

- Employment policies
- Evidence of practices, including those for recruitment, hiring, compensation, coaching, collaboration, professional development, and evaluation for leaders, teachers, and other staff
- Staff survey results
- Staff interviews
- Staff demographic reports
- Staff retention data

TIPS FOR AUTHORIZERS

- Authorizers should be careful not to infringe upon a school's autonomy when evaluating the work environment. This standard is likely best measured by the authorizer asking questions to ascertain whether the governing board and leadership team has been intentional about designing and implementing systems and practices that lead to a strong work environment, not dictating the type of system used by the school. Each charter school board should be working to ensure elements of this measure are in place at the school and including these elements in a performance framework can provide useful guidance to boards without infringing on autonomy. For example, the authorizer should not suggest a particular compensation structure or philosophy. But it is wise for the authorizer to ask a school about the real or perceived impact the compensation structure may be having on employees. Or an authorizer may, if it sees poor academic performance and high staff turnover, ask if the school sees any relationship between those outcomes and the work environment.

INDICATOR 3
Supporting Students and Protecting Student Rights

Charter schools have both statutorily defined responsibilities to protect specific student rights and an obligation to ensure that these rights are implemented with fidelity. A charter school board should have a process for regular review of applicable policies and practices both in writing and in action, and it is appropriate for an authorizer to verify that such a process is implemented.

Compliance and avoidance of illegal activity is the floor as it relates to supporting students and protecting their rights. Schools must be held to higher standards and should be expected to provide students an excellent chance at success in whatever is next in their lives after completing their K-12 experience: further education, work, and/or meaningful participation in community.

In addition to a check for compliance with legal protections for students, the authorizer should assess how accessible and supportive the school is to all students. This shows up in areas such as enrollment, retention, discipline, and support services. Relevant data can be gathered through the evaluation process and could also include empowering and including community voices through direct surveys or focus groups.

COMPLIANCE – STUDENT RIGHTS

Measure 3a: Student Rights
Does the school comply with basic legal requirements for student rights?

Yes (Meets Standard)
The school materially complies with applicable laws, the charter contract, and its own policies relating to the rights of students, such as:

- Admissions, lottery, waiting lists, fair and open recruitment, and enrollment (including rights to enroll or maintain enrollment)
- The collection and protection of student information
- 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
- Student discipline and behavior, including discipline hearings and suspension and expulsion policies and practices.

No (Does Not Meet Standard)
The school fails to materially comply with applicable laws and the charter contract as outlined above.
Note: Proper handling of discipline processes for students with disabilities is addressed more specifically in Section 4c.

Data sources:
- Enrollment, lottery, and admissions policies
- Student enrollment forms and related forms
- Lottery observations
- Other relevant board policies
- Student discipline policies and/or student/family handbook
- Evidence of practices, including those for recruitment, hiring, compensation, coaching, collaboration, professional development, and evaluation for leaders, teachers, and other staff
- Student, family, and/or staff survey results
- Student, family, and/or staff interviews
- Discipline data (including data by student subgroup to evaluate for equitable discipline practices; this data may be available through the SEA)
- Board assurance of compliance

TIPS FOR AUTHORIZERS:

- Equity and access are at the heart of this measure. Specifically, do all students regardless of race, disability, gender, or any other factor, have equitable access to attend the school through fair enrollment policies and practices? Additionally, once enrolled in the school, do all students have equitable access to all elements of the school's programming? In other words, is the school implementing fair and non-discriminatory discipline policies and practices? An authorizer may have to review data from multiple sources to assess this measure and protect student and public interests.

QUALITY – STUDENT ACCESSIBILITY AND SUPPORTS

Measure 3b: Student Accessibility and Supports
Is the school accessible to and supportive of all students?

Meets Standard
The school is accessible to and supportive of all students, with the following elements fully developed and functioning effectively:

- Policies related to admissions are widely communicated.
- Recruitment policies and practices are designed to reflect the needs and aspirations of the community the school serves.
- The school does not enroll an excessively fewer proportion of students with disabilities or English learners than would be anticipated from communities from which the school draws students.
- Student retention rates are high across all subgroups.
- The school maximizes opportunities for students to access any and all available openings (i.e., backfilling).
- Equitable student discipline and behavior management practices minimize exclusion and are responsive to students' developmental needs.
- The school supports students' social and emotional well-being (e.g., the school employs or ensures students have access to social workers, counselors, and/or other resources).
- Students and families have equitable access to post-secondary planning supports.
- For high schools: High percentages of students complete the FAFSA.
- The school ensures students have equitable access to high-level coursework.

Approaches Standard
One or more of the above elements is developing or in need of improvement.

Does Not Meet Standard
The school failed to implement the program as described above and the failure(s) was (were) material and significant to the viability of the school.

Data sources:

- Enrollment, lottery, and admissions policies
- Student enrollment forms and related forms
- Marketing and outreach activities
- Other relevant board policies
- Student discipline policies and/or student/family handbook
- Evidence of practices, including those for recruitment, hiring, compensation, coaching, collaboration, professional development, and evaluation for leaders, teachers, and other staff
- Student, family, and/or staff survey results
- Student, family, and/or staff interviews
- Staff information
- Discipline data (including data by student subgroup to evaluate for equitable discipline practices; this data may be available through the SEA)
- Course enrollment data

TIPS FOR AUTHORIZERS:

- While this measure is similar to the previous compliance measure, it goes a step further to assess not only basic compliance of policy, but a deeper sense of access, outcomes, and practice. An authorizer can use this measure to assess whether students have equitable access to supports, advanced or specialized coursework, and other opportunities the school may offer. For example, authorizers can look at the level of post-secondary supports schools provide to students and families and consider FAFSA completion rates, given FAFSA completion is strongly associated with postsecondary enrollment.

INDICATOR 4
Delivering the Education Program

The quality of a school's educational program will, in great part, be evident in school performance as measured by the Academic Framework (AF). This indicator is distinct from student performance outcomes in the AF as some elements of a school's educational program are legally or contractually required (such as meeting requirements of IDEA), others focus on the quality of program delivery (such as providing social and emotional supports for students), and yet others speak to the fidelity of the program to mission and key design elements of the school.

This indicator area includes both compliance and qualitative measures, including within the same area, such as service for students with disabilities, because basic compliance is the floor for performance, and quality measures set a higher expectation for serving students.

One important measure of this indicator relates to **key design elements or mission-specific attributes of a school**. Key design elements may be referred to as "material terms" of the school's education program. The authorizer should distinguish between design elements that belong in the Organizational Framework and those that should be measured as part of the Academic Framework. For example,

- At a foreign language immersion school, expectations around appropriate staffing, scheduling, and student participation in foreign language learning are included in the OF, while outcomes of a students' foreign language proficiency results may be included in the AF.

- At a school that is designed is to achieve success through an extended school day and year, the OF should determine whether there is, in fact, extended time as advertised. The anticipated academic outcomes correlated to that extended time will be assessed in the AF.

- At an alternative school focused on helping older students finish high school, the OF should review if the necessary supports are available for the students to succeed, while the AF will include clear outcomes related to student graduation rates.

Another way to think about key design elements is to ask: is the school delivering the educational program it promised to students, families, and the community? The ideal in every community is for all educational options to meet a high standard of quality so parents can choose among these options based on the needs of each of their children, from year to year. Thus, the authorizer plays a key role in helping parents make informed choices by assessing whether the schools in the authorizer's portfolio are doing what they promised. Once an approved school becomes operational, the authorizer should expect the educational program to be reasonably consistent with the one included in the initial contract, and material changes should be agreed upon by the school and the authorizer.

COMPLIANCE – EDUCATION REQUIREMENTS

Measure 4a: Education Requirements
Does the school comply with applicable education requirements?

Yes (Meets Standard)
The school materially complies with applicable laws, rules, regulations, and provisions of state/federal law and/or the charter contract relating to education requirements, such as:

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

No (Does Not Meet Standard)
The school fails to materially comply with applicable laws and the charter contract as outlined above.

Data sources:
- Other agencies, including SEAs (These agencies may monitor compliance with these legal requirements and may have procedures for dealing with noncompliance; the authorizer should find out what is available and avoid duplication of effort.)
- School calendars and daily schedules
- Student/parent handbook that includes course requirements
- Other relevant information gathered through third-party sources, and periodic verification of compliance, such as during site visits
- Board assurance of compliance

QUALITY – KEY DESIGN ELEMENTS

Measure 4b: Key Design Elements
Does the school implement the key design elements of its education program as outlined in the charter contract?

Meets Standard
The school implements the key design elements of its education program consistent with its mission and the charter contract, with the following elements fully developed and aligned to the mission and key design elements:

- Staff qualifications and experience
- Staff professional development
- Staff and other stakeholders, including community members served by the school, exhibit a shared understanding of the mission and key design elements
- The school broadly communicates its mission and key design elements to help families make informed choices about where to enroll their children
- Curriculum, instructional strategies, and instructional materials

Approaches Standard
One or more of the above elements is developing or in need of improvement.

Does Not Meet Standard
The school failed to implement the program as described above and the failure(s) was (were) material and significant to the viability of the school.

Data sources:
- Site visits, including classroom observations
- Stakeholder interviews: school leadership, board members, staff, students, parents, and community
- Annual reports, renewal applications, or other school submissions
- School website
- Staff information, including professional development calendars
- Board meeting agendas, materials, and minutes

Another way to think about key design elements is to ask: is the school delivering the educational program it promised to students, families, and the community?

TIPS FOR AUTHORIZERS:

- Authorizers do not determine, but work with schools to determine, the key design elements of the educational program to which the school will be held accountable, and these are included in or referred to in the performance contract between the school and the authorizer.

- To foster innovation and allow schools to flourish to best serve students, authorizers will often rely on schools to determine the type of data used to evaluate implementation of the key design elements. Authorizers are not expected to be expert evaluators of every educational program model or the many ways to operationalize that program, but they should be adept at asking questions of schools regarding these key design elements. They should also ensure that the data used to measure performance in these areas is credible and verifiable.

- A school should be assessed not just on fidelity to its program but on whether doing so leads to the expected results. This measure intersects with AF measures, particularly mission-specific measures. As such, an authorizer should consider performance on mission-specific measures of academic performance along with program fidelity measure(s) and probe when inconsistencies arise (e.g., strong academic performance and poor program fidelity or vice versa).

- Authorizers must use professional judgment to consider when flexibility is warranted. For example, schools may have gone outside their original plans to better serve students and communities in light of the circumstances created by the pandemic. Flexibility in the delivery of the academic program to meet student needs should be commended by authorizers. Schools and authorizers must effectively communicate about instances when program design evolves to meet the needs of students.

QUALITY – EDUCATIONAL PROGRAM

Measure 4c: Educational Program
Does the school deliver a high-quality academic program that meets the needs of all students?

Meets Standard
The school implements curriculum, instruction, and assessment focused on student achievement, with the following elements fully developed and functioning effectively:

- Instruction: Clarity of instructional leadership, common understanding of high-quality instruction, and implementation of practices aligned to this common understanding; instructional practices based on high expectations for all students foster student engagement
- Curriculum: A broad, deep, and rich curriculum that supports opportunities for all students to master skills and concepts
- Use of Data: Use of disaggregated data gathered through formative and summative assessments to evaluate and modify instruction and programs as needed
- Training: Professional development for staff to support learning for all students
- Supports for All Learners: Proactive system to identify and address all students' strengths and needs for academic, behavioral, and social and emotional development, ensuring that all students across all subgroups have equal access and equitable support, interventions, and resources to achieve, grow, and advance

Approaches Standard
One or more of the above elements is developing or in need of improvement.

Does Not Meet Standard
The school failed to implement the program as described above and the failure(s) was (were) material and significant to the viability of the school.

Data sources:
- Site visits, including classroom observations
- Curriculum materials
- Stakeholder interviews: school leadership, board members, staff, students, parents, and community
- Annual reports, renewal applications, or other school submissions
- School website
- Staff information, including professional development calendars
- Board meeting agendas, materials, and minutes

TIPS FOR AUTHORIZERS:
- It is essential that authorizers respect school autonomy when implementing this measure. For example, it is not for the authorizer to dictate or assess the instructional approach. Instead, the authorizer is assessing whether school leadership and teachers have a shared understanding of what quality instruction looks like at their school and that instructional practices reflect that understanding. Similarly, the authorizer is ensuring that the school has systems in place to gather and use data, without which school leadership and teachers cannot make instructional decisions focused on the needs of students. The authorizer does not dictate the nature of the system to be implemented.

COMPLIANCE – STUDENTS WITH DISABILITIES

Measure 4d: Students with Disabilities
Does the school comply with applicable requirements for students with disabilities?

Yes (Meets Standard)
The school materially complies with applicable laws, rules, regulations, and provisions of the charter contract relating to serving students with disabilities who currently qualify or who may qualify for services pursuant to the Individuals with Disabilities Education Act (IDEA), Section 504 of the Rehabilitation Act of 1973, or the Americans with Disabilities Act (ADA), such as:

- Equitable access and opportunity to enroll
- Identification and referral including evaluation of representation of subgroups, (i.e., Child Find process is in place and the school adheres to this process)
- Development and implementation of Individualized Education Programs (IEPs) and Section 504 plans, including access to the school's facility and programs
- Communication requirements with parents or guardians
- Operational compliance, including provision of services in the Least Restrictive Environment (LRE) and appropriate inclusion in the school's academic program, assessments, and extracurricular activities
- Discipline, including due process protections, manifestation determinations, and behavioral intervention plans
- Accommodations on assessments
- Securing and use of all available funding

No (Does Not Meet Standard)
The school fails to materially comply with applicable laws and the charter contract as outlined above.

Data sources:
- Site visits, including classroom observations
- Record reviews
- Stakeholder interviews: school leadership, special education director, staff, students, parents, and community
- Annual reports, renewal applications, or other school submissions
- School policies
- Financial statements
- Third-party reports or monitoring, such as from a district special education department, a special education collaborative, board of cooperative services, or SEA

TIPS FOR AUTHORIZERS:

- Requirements of this and the following measures will vary depending on whether the charter school is identified as a Local Education Agency (LEA) or a school within a district LEA and should be adjusted as appropriate. In developing an appropriate measure, the authorizer—particularly an authorizer that is a SEA or LEA 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. Reference these Rubrics for Assessing Special Education in Charter Schools from NACSA's *Special Education Toolkit* for more guidance on monitoring charter schools' services for students with disabilities.

- This measure includes many elements. Some of them may be minor, but deficiencies in any one of them could potentially be problematic. Authorizers should consider what weight to give individual measures of special education compliance, and "Meeting the Standard" should not mean perfection. For example, a syntax error on an IEP should not warrant "Does Not Meet" for the measure. At the same time, authorizers should work with the agency that monitors compliance for serving students with disabilities, likely the SEA, to align on what distinguishes a school that is failing from one that is working diligently to serve students well, and what reporting is required by federal law.

QUALITY – STUDENTS WITH DISABILITIES

Measure 4e: Students with Disabilities
Does the school provide services and supports so that students with disabilities can access the general education curriculum and achieve the academic and social goals outlined in their IEPs?

Meets Standard

The school provides services and supports such that students with disabilities can access the general education curriculum and achieve the academic and social goals outlined in their IEPs, with the following elements fully developed and functioning effectively:

- Sufficient staffing aligned with federal/state law and the school's approach to educating students with disabilities
- Systematic collaboration among general education staff, special education staff, and service providers
- Effective tracking and progress monitoring practices in areas such as progress towards IEP goal attainment, degree of inclusion in the general education classroom, discipline, student retention and graduation, and post-graduation opportunities
- Professional development for general and special education staff to strengthen differentiation and intervention strategies
- Equitable access to extracurricular programming
- Regular communication with students' families

Approaches Standard

One or more of the above elements is developing or in need of improvement.

Does Not Meet Standard

The school failed to implement the program as described above and the failure(s) was (were) material and significant to the viability of the school.

Data sources:

- Site visits, including classroom observations
- Record reviews
- Stakeholder interviews: school leadership, special education director, staff, students, parents, and community
- Annual reports, renewal applications, or other school submissions
- School policies
- Staff professional development and/or meeting schedules
- Financial statements
- Third-party reports or monitoring, such as from a district special education department, a special education collaborative, board of cooperative services, or SEA

TIPS FOR AUTHORIZERS:

- This measure intersects with relevant measures on the AF. The AF includes opportunities for setting school-specific performance goals for students with disabilities. Authorizers and schools can consider if such goals are appropriate for a school or if disaggregated data on statewide assessments and other measures are sufficient to capture a school's performance for students with disabilities.

COMPLIANCE – ENGLISH LEARNERS

Measure 4f: English Learners
Does the school comply with requirements for students that qualify as English learners?

Yes (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 learners, such as:

- Equitable access and opportunity to enroll
- Policies related to the service of English learners
- Compliance with native language communication requirements, including communication with parents or guardians
- Identification of students in need of English Learner (EL) services
- Delivery of services to identified students
- Accommodations on assessments
- Exiting of students from EL services including ongoing monitoring of exited students
- Securing and use of all available funding

No (Does Not Meet Standard)

The school fails to materially comply with applicable laws and the charter contract as outlined above.

Data sources:

- Site visits, including classroom observations
- Record reviews
- Stakeholder interviews: school leadership, staff, students, parents, and community
- Annual reports, renewal applications, or other school submissions
- School policies
- Financial statements
- Third-party reports or monitoring, such as from a district English Learner department, board of cooperative services, or SEA

TIPS FOR AUTHORIZERS:

- As with the measures related to students with disabilities, requirements of this and the following measures will vary depending on whether the charter school is identified as a Local Education Agency (LEA) or a school within a district LEA and should be adjusted as appropriate. In developing an appropriate measure, the authorizer—particularly an authorizer that is a SEA or LEA—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. Reference NACSA's *English Learners Toolkit* for more guidance on providing oversight for charter schools' services for English learners.

- This measure includes many elements. Some of them may be minor, but deficiencies in any one of them could potentially be problematic. Authorizers should consider what weight to give individual measures of special education compliance, and "Meeting the Standard" should not mean perfection. Authorizers should work with the agency that monitors compliance for serving English learners to align on what distinguishes a school that is failing from one that is working diligently to serve students well, and what reporting is required by federal law.

QUALITY – ENGLISH LEARNERS

Measure 4g: English Learners
Does the school provide services and supports so that English learners can access the general education curriculum and make expected progress towards English language proficiency?

Meets Standard

The school provides services and supports such that English learners can access the general education curriculum and make expected progress towards English language proficiency, with the following elements fully developed and functioning effectively:

- Sufficient staffing aligned with federal/state law and the school's approach to educating English learners
- Systematic collaboration among English learner staff and general and special education staff
- Effective tracking and progress monitoring practices in areas such as progress towards English language proficiency, degree of inclusion in the general education classroom, discipline, student retention and graduation, and post-graduation opportunities
- Professional development for staff to strengthen differentiation and intervention strategies for English learners
- Equitable access to extracurricular programming
- Regular communication with students' families

Approaches Standard

One or more of the above elements is developing or in need of improvement.

Does Not Meet Standard

The school failed to implement the program as described above and the failure(s) was (were) material and significant to the viability of the school.

Data sources:

- Site visits, including classroom observations
- Record reviews
- Stakeholder interviews: school leadership, staff, students, parents, and community
- Annual reports, renewal applications, or other school submissions
- School policies
- Staff professional development and/or meeting schedules
- Financial statements
- Third-party reports or monitoring, such as from a district English Learner department, board of cooperative services, or SEA

TIPS FOR AUTHORIZERS:

- This measure intersects with relevant measures on the AF. The AF includes opportunities for setting school-specific performance goals for English learners. Additionally, since ESSA requires states to have measures for measuring progress and proficiency of English learners, authorizers can usually readily access statewide assessment data such as student performance on the WIDA assessment which can be useful data, in conjunction with this measure, in determining how well the school is serving English learners.

INDICATOR 5

Maintaining a Safe and Positive Learning Environment

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 and food services. An authorizer may also use this opportunity to assess whether the school environment is conducive to learning. Has the board considered, for example, the message students hear, see, and feel when they are invited into and spend many hours a day in the school's facilities?

COMPLIANCE – SCHOOL ENVIRONMENT

Measure 5a: School Environment
Does the school comply with health and safety requirements for all students?

Yes (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) and Individuals with Disabilities Education Act (IDEA)
- Fire inspections and related records
- Crisis management or related policies and practices
- Viable certificate of occupancy or other required building use authorization
- Documentation of requisite insurance coverage
- Student transportation
- Student records maintenance, including complying with privacy requirements
- Appropriate nursing services and dispensing of pharmaceuticals
- Food service requirements
- Other services, if applicable

No (Does Not Meet Standard)
The school fails to materially comply with applicable laws and the charter contract as outlined above.

Data sources:

- Site visits, including classroom observations
- Record reviews
- Stakeholder interviews: school leadership, staff, students, parents, and community
- Annual reports, renewal applications, or other school submissions
- School policies
- Third-party reports or monitoring, such as from a district food or facilities offices, SEA, and local or state fire safety offices

TIPS FOR AUTHORIZERS:

- Because this measure includes a variety of elements, authorizers may wish to separate them into separate measures such as: a) facilities and transportation; b) health and safety (i.e., nursing and food service); and c) information management.

QUALITY – SCHOOL ENVIRONMENT

Measure 5b: School Environment
Does the school maintain a welcoming environment that is conducive to learning for all students, families, and staff?

Meets Standard
The school maintains a welcoming environment that is conducive to learning for all students, families, and staff, with the following elements fully developed and functioning effectively:

- Facilities safety and security, including the welcoming and guiding of visitors, including parents
- Climate control (e.g., heating and/or cooling)
- Lighting systems
- Student furniture
- Student transportation is safe, reliable, and accessible

Approaches Standard
One or more of the above elements is developing or in need of improvement.

Does Not Meet Standard
The school failed to implement the program as described above and the failure(s) was (were) material and significant to the viability of the school.

Data sources:

- Site visits, including classroom observations
- Record reviews
- Stakeholder interviews: school leadership, staff, students, parents, and community
- Parent, student, and staff surveys

TIPS FOR AUTHORIZERS:

- In situations where the charter school is located in a facility that is controlled by the authorizer, such as a school district, the authorizer must consider what is the responsibility of the district and what is the responsibility of the school when adapting this measure.

- It is critical for an authorizer to protect school autonomy in considering this measure. For example, it is not the role of the authorizer to determine what types of tables, chairs, or desks a school should be using; however, it is appropriate for an authorizer to inquire as to whether students have what they need to be ready to learn. Similarly, if the school climate control system is not such that students can focus on their learning, authorizers need to address this with school leadership.

INDICATOR 6
Building a Cohesive Community

Strong partnerships with families and communities are vital to nurturing learning and navigating operational challenges. This section is based on the following guiding principles:

1. Communities have great ideas about their kids' educational aspirations and needs.

2. All communities—including those that have been neglected for decades—have important untapped assets.

3. Families know their children best, including what learning environments will work for them.

4. Sustainable growth and effective, innovative ideas about what schools are and can do for students will come largely from neighborhoods where students live.

5. Acting on the aspirations and needs of local communities will require fresh thinking and action, inclusive of and beyond typical charter schooling and authorizing practices.

6. Investments in policy, practice, and passionate people are necessary to deliver on all good ideas communities have for educating their children.

To implement this measure, the authorizer must collaborate closely with school leadership and board to reach a shared understanding on how they think about their community, what cohesion looks like, and what strategies the school will implement and outcomes the school will achieve to meet the standard. **Specifically, the school and authorizer must work together to identify the evidence for *Meets Standard*. The elements included below are meant to be examples but not prescriptive nor comprehensive.** Authorizers can use this standard to push schools to think in new ways about community, to honor effective practices implemented by school, and to share those across the portfolio.

QUALITY – SCHOOL COMMUNITY

Measure 6: School Community
Does the school achieve a cohesive community that supports student achievement, family satisfaction, and the organizational health of the school?

Meets Standard

The school achieves a cohesive community that supports student achievement, family satisfaction, and the organizational health of the school, with the following elements fully developed and functioning effectively:

- Systems for family and community engagement
- Systems to gather family, student, staff, and community feedback
- Systems to gather input from families regarding the quality of programs and student support provided
- Approaches to include student, family, and staff voice in decision making
- Leadership team relationships with community leaders and organizations relevant to the families the school serves
- Formal structures that foster cultivation of relationships between families and staff
- Regular partnership with parents and community organizations, including culturally relevant organizations, to learn about untapped community resources

Approaches Standard

One or more of the above elements is developing or in need of improvement.

Does Not Meet Standard

The school failed to implement the program as described above and the failure(s) was (were) material and significant to the viability of the school.

Data sources:

Authorizers should find ways to measure culture and community in ways that are neutral to the school model. Sources of evidence will vary depending on the outcomes identified and agreed upon by the school and authorizing, though these will likely include but not be limited to:

- Site visits, including classroom observations
- Stakeholder interviews: board, school leadership, staff, students, parents, and community
- Parent, student, and staff surveys
- Board meeting minutes, agenda, packets

TIPS FOR AUTHORIZERS:

- To protect school autonomy, authorizers look to schools to define their approach to developing a cohesive community and hold the school accountable to that outcome. The authorizer does not dictate to the school that approach.

INDICATOR 7
Meeting Reporting Requirements

A charter school must adhere to reporting requirements of the authorizer and other responsible entities. Accurate, timely reporting to each agency with oversight of the school enables the authorizer to perform its oversight function in the least intrusive manner and without duplication of effort and accompanying waste of public resources (including any fees the schools pay to the authorizer).

Reporting is not just a matter of compliance: it makes public transparency possible. When it is not done accurately, it may contribute to funding issues or prohibit the authorizer from properly conducting school oversight. Nonexistent or poor reporting also impacts public trust. Finally, incomplete, untimely, or inaccurate reporting may be an early indicator of a struggling organization.

This measure includes broad categories of reports; it is the authorizer's job to monitor the collection of these reports. The authorizer should expand this to include specific reports required by the authorizer and/or state, however, **the Financial Framework includes a measure specifically related to financial reporting, so such reports should not be included in both places**.

COMPLIANCE – REPORTING

Measure 7: Reporting
Does the school comply with reporting requirements?

Yes (Meets Standard)
The school materially complies with applicable laws, rules, regulations, and the charter contract relating to relevant reporting requirements to the school's authorizer, SEA, district education department, and/or federal authorities, including but not limited to:
- Accountability tracking
- Attendance and enrollment reporting
- Information required to be posted on school websites
- Compliance and oversight
- Annual Reports
- Additional information requested by the authorizer

No (Does Not Meet Standard)
The school fails to materially comply with applicable laws and the charter contract as outlined above.

Data sources:
To help monitor this measure, the authorizer should develop a reporting calendar to track all required reports to the authorizer, SEA, 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.

TIPS FOR AUTHORIZERS:
- Authorizers should be very thoughtful when setting up reporting requirements for schools, ensuring that reporting is either required by law or essential for the authorizer to conduct its oversight responsibilities. Quality authorizers periodically review reporting requirements and seek to reduce those requirements when possible.

INDICATOR 8
Complying with Additional Obligations

This measure ensures that the school is held accountable to any new requirements that may be added 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 could use this section of the framework to evaluate the charter school against that new requirement.

Authorizers should use this measure with caution and 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.

COMPLIANCE – ADDITIONAL OBLIGATIONS

Measure 8: Additional Obligations
Is the school complying with all other obligations?

Yes (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., SEA)

No (Does Not Meet Standard)
The school fails to materially comply with applicable laws and the charter contract as outlined above.

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

AGGREGATING PERFORMANCE AND DECISION MAKING

Why Aggregating Performance Matters

Authorizers ultimately assess the overall performance and quality of a school to inform their decision making. Authorizers do this—explicitly or implicitly, quantitatively or based on judgment—by aggregating data and ratings from each framework: Academic, Financial, and Organizational.

First, using the evidence gathered and ratings determined for each measure on each indicator in each framework, an authorizer answers three questions:

- Is the school academically successful?
- Is the school financially healthy?
- Is the school organizationally sound?

Then, an authorizer uses these answers to inform its decisions around renewal, non-renewal, revocation, and closure; intervention; or expansion or replication. Further, these ratings and answers inform authorizers' annual reporting of school performance to schools and other interested stakeholders.

To arrive at an overall determination (e.g., grade, score, decision, or rating) for a school, authorizers balance sometimes-competing values or interests around clarity, transparency, predictability, discretion, judgment, and nuance. An authorizer also considers trends during the contract term— whether performance is stable, improving, or declining; performance across various indicators or measures—whether some measures have more weight than others; and how differing levels of performance across the three frameworks can impact decision making.

Regardless of the evaluation approach, authorizers must always use data, evidence, and professional judgment to determine their framework scoring. Even when using a quantitative approach, authorizers use data and judgment to set performance targets, as outlined above in the Academic Framework Guidance: Targets and Ratings.

Below are examples for different approaches to aggregating. These examples are illustrative, not prescriptive. Some states may have guidance in statute, auto-closure laws, or other factors which need to be considered in developing decision-making guidelines such as these.

Aggregating the Academic Framework

School performance on the Academic Framework (AF) is the most important factor in an authorizer's decision making as it captures the impact a school has (or does not have) on its primary stakeholders—students.

How can authorizers develop conclusions using multiple data points?

1. Using the Preponderance of Evidence and Professional Judgment

Authorizers can also use an approach that considers the preponderance of evidence and stresses professional judgment when determining school quality. In NACSA's research of authorizers with strong student outcomes, this kind of approach tends to be favored. Using this approach, authorizers do not give explicit weight or values to the various academic measures and indicators, and performance does not "roll up" into an overall performance grade or rating for schools.

Instead, authorizers set clear performance expectations on the indicators and measures, take into account the preponderance of performance data, and use judgment and evidence to answer the question, "Is the school academically successful?" Using this approach, an authorizer describes, in detail, the academic performance and trends that support their overall evaluation of the school's performance. They also take care to describe any disconfirming data and evidence and how that data is contextualized in their overall decision making and evaluation.

This approach gives authorizers greater latitude and flexibility in decision making; they can customize the evaluation to those elements that are most important to what the school is trying to accomplish. This method can also create a tension, as schools may not be clear on where they stand with the authorizer in terms of performance. Further, an authorizer must be aware of the potential influence of bias—actual or perceived—in using this approach and take steps to guard against it.

Authorizers can develop a guide to renewal actions to help inform staff recommendations and board decision making. This guide is not driven by math, but by the body of evidence, trends, and other considerations. A guide such as this can support clarity, transparency, and consistency, as well as build confidence in the process among stakeholders.

2. A Quantitative Approach

When using a quantitative approach, authorizers assign a weight or point value to each indicator area and measure. It's important to emphasize the role of academic growth, as it evaluates the ability of schools to accelerate student learning, a critical element of school quality as schools emerge from the pandemic. For example, for a K-5 elementary school, an authorizer could apply these weightings:

- **Growth** (ELA, Math, and ELP) – 55%
  - Criterion referenced (statewide assessments) – 10%
  - Subgroup growth (statewide assessments) – 10%
  - Norm-referenced growth (nationally normed assessments) – 12.5%
  - Subgroup growth (nationally normed assessments) – 12.5%
  - Growth towards English Language Proficiency for English learners – 5%
  - Growth towards IEP goals for students with disabilities – 5%

- **Mission-specific goals** – 10%
  - Mission-specific goal #1 – 5%
  - Mission-specific goal #2 – 5%

- **Proficiency** (as measured by statewide assessments) – 30%
  - Overall proficiency (ELA and Math) – 7.5%
  - Subgroup proficiency (ELA and Math) – 7.5%
  - Overall proficiency (Science) – 2.5%
  - Subgroup proficiency (Science) – 2.5%
  - Subgroup proficiency compared to state subgroups (ELA and Math) – 7.5%
  - Subgroup proficiency compared to state subgroups (Science) – 2.5%

- **State Accountability** – 5%

By assigning a point value to the performance levels (Exceeds, Meets, Approaches, Does Not Meet, and Falls Far Below), an authorizer can arrive at an overall score, taking into account the weightings of each area. Then, based on guidelines the authorizer has developed, the overall score correlates to a likely renewal (or expansion/replication) decision.

Similarly, authorizers can use these scores to inform interventions or other authorizer actions.

Some authorizers weight the State Accountability system at 100% on the AF. (NACSA encourages these authorizers to consider using mission-specific goals in addition to the state system.) Authorizers should be aware that many state accountability systems include weightings. (For a summary of various states' weightings on their ESSA Accountability Plans, see this data.)

Of course, performance typically includes more than one year, so an authorizer may add up the points from each year and divide by the number of years (or give weightings to each year) to come to a final score for the contract term.

The benefits of this approach can be clarity, transparency, and predictability of decision making and consequences. This approach can also convey objectivity, fairness, and consistency and make authorizers' decisions to non-renew, close, or initiate other consequences for schools more defensible.

Conversely, this approach can limit authorizer discretion and use of judgment at the time of decision making by making it more difficult for the authorizer to emphasize particular outcomes that are important for individual schools and what they are trying to achieve.

3. Using the Preponderance of Evidence and a Quantitative Approach

Authorizers can also use a blended approach of 1 and 2 above. For example, an authorizer may use weightings, points, and a performance roll-up that correlates to possible decisions but may provide latitude in those decisions. For example, schools that accumulate a certain number of points may be considered "eligible" or a "candidate for" a particular action or decision, giving authorizers discretion to use the preponderance of evidence and professional judgment within a quantitative approach.

Aggregating the Financial Framework

While calculating each of the measures of near-term financial health and long-term financial sustainability on the Financial Framework (FF) requires math, **determining a school's overall financial health and viability typically cannot be reduced to a simple formula**. An authorizer must weigh the totality of the evidence. Not meeting the standard on one or two measures is an indication to the authorizer to dig deeper. That said, a school that does not meet three or more standards is likely in precarious financial health, and again, deeper understanding is warranted.

Authorizers should consider the interplay among the three financial indicators in determining a school's overall financial health.

- Near-term Financial Health
- Long-term Financial Sustainability
- Financial Management & Oversight

For example, a school's performance on near-term and long-term financial measures may suggest fragile financial health (for example, the school met the standard on 4 of 6 measures over each of the past 3 years). Yet, the effectiveness of its board and leadership in terms of financial management and oversight (meeting the standard on all measures over each of the past 3 years) has helped the school navigate through financial health challenges and gives the authorizer great confidence regarding the school's financial viability.

Or, another school may show strong performance on near-term and long-term financial measures, suggesting strong financial health (the school met the standard on 6 of 6 measures over each of the past 3 years), but the board and leadership lack strong policies and practices of financial management and oversight, not meeting the performance standard on these measures over the same time. Such a situation could create much uncertainty for an authorizer in terms of that school's financial viability.

Aggregating the Organizational Framework

As with financial health, a school's organizational effectiveness should be determined by looking at the evidence on the Organizational Framework (OF) and using professional judgment to make an overall determination.

Indicator areas on the OF span a broad array of performance areas and are not necessarily interrelated, as they are on the FF. If a school does not meet the standard on one or more measures in one indicator area, this may simply indicate an area for improvement and not speak to wider organizational issues. However, **a school that does not meet the standard on multiple measures across multiple indicator areas may be exhibiting more systemic problems,** which likely will also impact academic and financial performance.

Authorizers must have a deeper understanding of school organizational performance, consistent with the OF, and use the totality of evidence to make a judgment on overall performance.

How Does Financial and Organization Performance Impact Decision-Making?

Quality authorizers use academic performance as the primary driver of decision making, particularly for renewal, non-renewal, and expansion and replication decisions.

If authorizers use a quantitative approach and include the FF and OF, giving weights and points to these frameworks, they should take care to not let strong performance on the FF and OF mask poor performance on the AF. For example, if a school earns 100% on the FF and 100% on the OF, but only 30% on the AF, if these are rolled up, it could give the appearance of strong overall performance, when in fact, academic performance is poor and should warrant appropriate action by the authorizer.

Authorizers can control for this by requiring minimum ratings or points for each framework: for example, to be eligible for renewal, schools must earn at least 60% on each framework. (See example from Novation Education Opportunities in Minnesota below).

Additionally, authorizers can use the weightings and roll-up only for the AF and use that information to drive decisions. Performance on the FF and OF would then inform possible adjustments to those decisions.

While performance on the FF and OF typically will not enhance an overall rating, performance in these areas can negatively impact the overall assessment of school performance and subsequent decisions. For example, if a school's overall performance on the AF is strong but performance on the FF and/or OF is not strong and raises questions about a school's financial health or organizational soundness, an authorizer may decide to renew the school, but with additional conditions or considerations to address these shortcomings. See the <u>Colorado Charter School Institute's</u> (CSI's) approach to <u>accountability</u> for an example of this in practice.

Examples from the Field

State University of New York (SUNY) Charter Schools Institute

SUNY sets required academic outcomes for schools: absolute performance, comparative performance, and growth, as measured by statewide assessments (and graduation and college preparation as applicable). This approach gives schools multiple opportunities to meet high expectations. Academic indicators do not roll up into an overall rating, but SUNY looks at the totality of data, including optional academic goals and measures (e.g., mission-specific goals) that may be included in the school's Accountability Plan. Organizational goals, including those related to financial health, may also be included in the Accountability Plan. The SUNY approach stresses qualitative site visits to put quantitative performance into context, all of which becomes part of the available data that factors into decision making.

For more on SUNY's approach see pages 23-33 of the SUNY Quality Practice Project Case Study.

Thomas B. Fordham Foundation (Fordham) – Ohio

Fordham outlines academic, financial, organizational, and governance requirements as part of a school's contractual accountability plan. Primary academic indicators included are also part of the statewide accountability system: performance, growth (value added), gap closing, prepared for success (post-secondary readiness), 4-year graduation rate, improving at-risk K-3 readers, and comparative performance; the school earns a rating on each performance area. In addition, Fordham develops, with each school, an alternative accountability framework which gives a fuller picture of performance when there is not state data and to differentiate individual site performance when a charter has multiple locations. Performance areas are not weighted, nor does the framework aggregate to an overall rating. Instead, the authorizing staff and board look at the totality of evidence and use professional judgment to guide decision making.

See this sample Academic and Organizational Accountability Plan from Fordham.

Massachusetts Board of Elementary and Secondary Education (BESE)

In Massachusetts, BESE is the sole charter authorizer. The Department of Elementary and Secondary Education (DESE) established the Charter School Performance Criteria (Criteria) to articulate the expectations for charter school performance in the areas of faithfulness to the charter, academic program success, and organizational viability. These Criteria also clarify the connections between Massachusetts charter school accountability and state and federal accountability standards. Through in-person site visits and the collection of multiple pieces of evidence, DESE uses a rating scale to assess each charter school's performance against the Criteria. DESE does not use a rubric for determining if a school is meeting expectations as they believe there are multiple ways to meet the standard. Instead, DESE collects qualitative and quantitative evidence and uses professional judgment in evaluating charter school performance. DESE regularly works with internal and external stakeholders to revise and improve existing processes – whether examining implicit biases as to not perpetuate systemic injustices, or to assess how additional valid, reliable, and credible data can be integrated into decision-making processes.

For more on DESE's approach see pages 23-29 of the MA BESE Quality Practice Project Case Study.

Novation Education Opportunities (NEO) – Minnesota

NEO weights performance within and across the areas of Academic, Climate, Operations, and Financial performance. Achievement measures include proficiency in math, reading, and science as measured by statewide assessments, including comparison measures for focus groups such as English learners. Growth is separated into measures of high growth for students who score below grade proficiency, and measures of continued growth for students who score at or above grade proficiency. Proficiency and growth may also be assessed using nationally normed assessments. Post-secondary readiness measures include graduation rates, college acceptance and enrollment, and other school-specific measures developed in collaboration with schools. Schools may also have mission-specific goals, for example, learning in a language other than English or student progress toward IEP goals. NEO stresses that the framework should be meaningful and useful for each school, therefore it is kept up to date as data is available and shared via Google Sheets with the school board and leader. The Academic performance indicators account for at least 51% of total points possible. Schools must achieve a satisfactory rating overall AND in each performance area to be recommended for renewal. This mitigates potential for poor academic performance to be masked by strong performance in the other areas. The NEO board has discretion to use additional information in its decision making.

See this sample Performance Framework from NEO for a school designed to serve special populations.

Conclusion

Authorizers play a crucial role in ensuring students and communities have access to quality schools that meet their aspirations and needs. Performance Frameworks outline the expectations that schools must live up to, setting the bar for student outcomes, financial viability, and organizational compliance and quality. They also allow authorizers to create and communicate a common set of performance expectations for all schools in their portfolios while developing other performance expectations unique to schools, based on each school's mission. This new version of NACSA's Performance Frameworks provides guidance to authorizers to build upon and strengthen their existing frameworks.

GLOSSARY OF FINANCIAL FRAMEWORK TERMS

Glossary of Financial Framework Terms

This glossary provides useful definitions of typical financial terms and those used in the Financial Framework. Definitions or explanations are framed for charter schools, though the terms are more universal in nature.

Amortization Expense: the write-off of an intangible asset over its expected period of use, which reflects the consumption of the asset. This write-off results in the residual asset balance declining over time. It is a non-cash expense. It is similar to depreciation expense for physical assets.

Assets: a resource that provides a current or future value. Assets for schools are generally classified as current, capital, or intangible.

- Current Assets: assets that are expected to be used because of standard business operations over the next year. In schools, current assets include cash, accounts receivables, prepaid liabilities, and inventory.

- Capital Or Fixed Assets: assets that are purchased for long-term use. They are also sometimes referred to as non-current assets. In schools, fixed assets include land, buildings, vehicles, and equipment.

- Intangible Assets: assets that are not physical in nature. Schools may have intangible assets such as leases or subscription-based IT arrangements.

- Restricted Assets: temporarily restricted funds and donations (and commonly referred to as net assets with donor restrictions). A temporary restriction dictates what the recipient should be spending funds or donations on (i.e., the specific programs or project), the time period during which a donation should or must be expended, and/or any other conditions that must be met to expend the funds.

- Unrestricted Net Assets: any type of assets contributed by donors—cash or asset donations—to a nonprofit organization that have no restrictions placed on the purpose and time of their use, thereby allowing a charter school or nonprofit entity to use the assets as it chooses to best fulfill the organization's mission.

Audit or Independent Financial Audit: the review of a school's financial statements and accompanying disclosures by a professional, independent Certified Public Accountant (CPA) rendering an opinion about whether the statements and disclosures have been presented fairly and prepared using Generally Accepted Accounting Principles (GAAP).

- Audit Report: a report issued by a CPA that includes financial statements (generally a balance sheet, statement of net income, and a cash flow statement) accompanied by representations that an independent financial audit was conducted in accordance with GAAP, which require that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, and that the auditor believes the audit provides a reasonable basis for his or her opinion.

- Audit Findings: findings disclosed by an independent auditor in an annual audit report and/or a management letter, and are classified as:
  - *Material Weakness:* a significant deficiency, or combination of deficiencies, in internal controls and/or accounting practices, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis.

- – *Significant Deficiency:* weaknesses in the internal controls and/or accounting practices that are less severe than a material weakness but important enough to merit review by those charged with governance.

- Audit Opinion: the opinion of the auditor as to whether a school's financial statements are presented fairly.

  - – *Unmodified ("Clean") Audit Opinion:* indicates that the auditor believes the financial statements are presented fairly and accurately.

  - – *Modified Audit Opinion:* states that the auditor is not confident about a specific process or transaction. It may also be a limitation of the scope of the audit.

  - – *Adverse Opinion:* indicates the auditor found significant problems with the school's financial statements.

  - – *Disclaimer* on the opinion: indicates that the auditor cannot give an opinion.

- Going Concern: a term used to describe a school that is expected to operate for the foreseeable future. If an auditor has a concern that a school will not be able to operate for the next 12 months, a going concern note must be included in the audited financial statements.

- Internal Controls: procedures, policies, and processes adopted and implemented by a school to ensure the integrity of financial and accounting information, promote accountability, and prevent fraud.

- Single Audit: an organization-wide financial statement and federal awards audit required for schools that expend $750,000 or more in federal funds in one year. It was previously known as the OMB Circular A-133 audit.

Balance Sheet: a financial statement that presents a school's or entity's assets, liabilities, and net position. What follows is a crosswalk of terms between a set of for-profit, nonprofit, and governmental financial statements

CROSSWALK OF TERMS

For-Profit	Nonprofit	Government-wide	Governmental Funds
Balance Sheet	Statement of Financial Position	Statement of Net Position	Balance Sheet – Governmental Funds

Basis of Accounting: the methodology and timing of when revenues and expenses are recognized in the accounts and reported in the financial statements.

- Cash Basis Method of Accounting: 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.

- Accrual Basis Method of Accounting: recognizes revenue when earned, rather than when collected. Expenses are recognized when incurred rather than when paid.

- Modified Accrual Basis Method of Accounting: expenses, whether paid or unpaid, are formally recognized when incurred, but revenues are recognized only when they become both measurable and available to finance expenses of the current accounting period.

Bonds: a financing option for facilities and capital assets used by many charter school operators. Bonds can be both tax-exempt and taxable in nature, though the majority of bonds issued on behalf of charter

schools are tax-exempt. Tax-exempt bond financing normally offers lower interest rates than other types of loans and financing available in public capital markets or from private lending institutions because interest paid on tax-exempt debt is exempt from current federal income tax, and often exempt from the income tax of the state in which the bonds are issued as well.

Budget (Operating Budget): an annual or multi-year plan of revenue and expenses. A budget is used to project and monitor the financial activity of a school to ensure it stays on track with financial expectations. Charter school boards are generally required by law to approve a budget prior to the start of the fiscal year (typically July 1).

- Revised Budget: a revision to the original budget. Some charter boards will amend the budget if circumstances warrant a revision, typically in the fall if enrollment numbers are materially different from projections or at other times of the fiscal year as needed.

Cash Flow: the difference between total cash receipts and total cash disbursements during a specified time or accounting period.

- Cash Flow Statement (or Statement of Cash Flows): one of the basic financial statements required as part of a complete set of financial statements prepared in conformity with GAAP. It categorizes net cash provided or used during a period for operating, investment, and financing activities, and reconciles beginning and ending cash and cash equivalents.

- 12-Month Rolling Cash Flow Statement: a statement of the budgeted cash activity of a school over the next 12 months, irrespective of the fiscal year, and/or a report that indicates actual cash flow vs. budgeted cash flow.

Debt Covenants: restrictions or requirements that lenders put on a school to obtain and maintain debt, and to monitor the ability to pay debt service over a short- or longer-term.

Debt Service: the total cash required to cover the payment of interest and principal on a debt, often calculated on a yearly basis.

Default: failure to meet any financial obligation. Default triggers a creditor's rights and remedies identified in the agreement and under the law.

Deferred Income: income received but not earned until all events have occurred. Deferred income is reflected as a liability.

Deficit: financial shortage that occurs when expenses exceed revenues for a given time period.

Depreciation: the decrease in the value of physical assets over time.

- Depreciation Expense: the cost of an asset that has been depreciated for a single period. It shows how much of the asset's value has been used up in that year. It is a noncash expense that allows for quantifying wear and tear on an asset over its estimated useful life.

- Accumulated Depreciation: the total amount of depreciation expense that has been allocated for an asset since the asset was placed in use.

Equity: the residual interest in assets after deducting liabilities. For a school, this is the amount of total assets less total liabilities, i.e., net assets. It is the third component of a balance sheet; the other two are assets and liabilities. Below is a crosswalk of terms between a set of for-profit, nonprofit, and governmental financial statements.

CROSSWALK OF TERMS

For-Profit	Nonprofit	Government-wide	Governmental Funds
Equity	Net Assets	Net Position	Fund Balance

Finance Committee: a committee of the school board that supports effective oversight of a school's financial activity. This committee often recommends approval of annual or revised budgets to the full governing board and engages more deeply in financial oversight than the full board, including review of monthly or quarterly financial statements, monitoring performance vs. budget, and assessing the ongoing financial viability of a school.

Financial Projections: a forecast of future revenues and expenses. Typically, charter school financial projections are based on internal or historical financial data, growth or expansion plans, and external market factors. Typical charter school financial projections cover a three to five-year period of time, sometimes longer. Financial projections are almost always required of charter schools engaged in debt financing.

Financial Statements: presentation of financial data including balance sheets, income statements, and statements of cash flow, or any supporting statement intended to communicate an entity's financial position at a point in time and its results of operations for a period then ended. Financial statements for a charter school or network should include a budget vs. actual income statement presentation.

- Audited Financial Statement: any financial statement that a CPA has audited.
- Interim Financial Statement: any unaudited financial statement that covers a period of less than one year.

Financial Viability: a school's ability to generate sufficient revenue to meet all expenses.

- Near-term Financial Viability: depicts the school's financial position and viability in the upcoming year.
- Long-term Financial Viability: depicts a school's financial position and viability over time.

Financial Watch List: a list of schools maintained by an authorizer that have failed to meet one or more financial performance requirements, or critical requirements such as Debt Service Coverage Ratio or Unrestricted Days Cash, or are in a weak financial position, and the financial activity of which is being closely monitored by an authorizer, to include, at times, required submission of financial reports and updates over and above general authorizer compliance requirements. Schools whose independent audits report significant internal control material weaknesses and/or repeated internal controls weakness findings without corrective actions may or should also be placed on a financial watch list.

Fund Balance: a term used in governmental accounting that is equivalent to the difference between a school's total assets and total liabilities.

- Unrestricted or Unassigned Fund Balance: the portion of the fund balance that is not restricted in any way and can be spent however the school board decides. Typically, this refers to the General Fund balance.
- Restricted Fund Balance: the portion of the fund balance that can be spent only for specific purposes.

GAAP or Generally Accepted Accounting Principles: recognized common set of accounting principles, standards, and procedures. This is a combination of accepted methods of doing accounting and authoritative standards set by policy boards.

Governmental Accounting: the process of recording and managing financial transactions incurred by a governmental entity and applicable to charter schools in most jurisdictions. Financial transactions in different funds are recorded to clarify how resources are being spent. The different funds include general fund, special revenue, capital projects, debt service, and permanent funds. This is relevant for schools that are considered governmental entities.

Income Statement: a financial statement that shows the school's revenues, expenses, and net surplus or deficit. Below is a crosswalk of terms between a set of for-profit, nonprofit, and governmental financial statements.

CROSSWALK OF TERMS

For-Profit	Nonprofit	Government-wide	Governmental Funds
Income Statement	Statement of Activities and Changes in Net Assets	Statement of Activities	Statement of Revenues, Expenditures, and Changes in Fund Balances

Liabilities: financial obligations of a school.

- Current Liabilities: financial obligations that are due within one year. Examples in a school include accounts payable, payroll taxes, short-term loans, and retirement payments.
- Long-Term Or Non-Current Liabilities: financial obligations payable beyond 12 months. Examples in a school include capital leases, long-term loans, and bonds payable.

Material (Materiality): what is important enough to be included. The omission or misstatement of an item in a financial report is material if it is probable that the judgment of a reasonable person relying on the report would have been changed or influenced by the inclusion or correction of the item. For example, for a school with a budget of $4M, a misstatement of $600 is likely not material, while an error of $60,000 is likely material. A calculation is normally done by an independent auditor at the beginning of an audit process to determine what the base "materiality threshold" will be.

Net Income: total Revenues minus total expenses. This is also referred to as a surplus, or if negative, a deficit.

Statement of Financial Position/Statement of Net Position: a financial statement, at a specified date, usually accompanied by appropriate disclosures that describe the basis of accounting used in its preparation and presentation, which include the entity's assets, liabilities, and net position. Below is a crosswalk of terms between a set of for-profit, nonprofit, and governmental financial statements.

CROSSWALK OF TERMS

For-Profit	Nonprofit	Government-wide	Governmental Funds
Balance Sheet	Statement of Financial Position	Statement of Net Position	Balance Sheet

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