



STATE PUBLIC CHARTER SCHOOL AUTHORITY

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BRIEFING MEMORANDUM

TO: SPCSA Board
FROM: Patrick Gavin, Executive Director
Mark Modrcin, Director of Authorizing
Mike Dang, Manager of Financial and Organizational Performance Frameworks
SUBJECT: Agenda Item No. 5: Nevada School Financial Performance Framework Update
DATE: September 28, 2018

During the August 24, 2018 SPCSA board meeting, staff presented a progress report describing the current state of the financial performance framework, and facilitated conversation with Nevada stakeholders and other subject-matter experts in an effort to improve the quality of information regarding the financial health of SPCSA charter schools. Key takeaways from that conversation included:

1. The overall importance of measuring and monitoring the financial health of the school;
2. The importance of following best practices of authorizers around the country;
3. Ensuring that there is integrity and fidelity in what is being reported;
4. Recognizing that each school is different in terms of size, age and current context and possible growth trajectory; and
5. The significance of distinguishing operations from capital expenditures.

Staff noted these touchstones for an upgraded Financial Performance Framework and is working to achieve them. Since the board meeting, staff have continued to:

1. Speak with stakeholders and outside subject matter experts;
2. Review and compare industry literature from various states; and
3. Adjust how SPCSA uses the industry standard baseline measuring tool, i.e., the Financial Performance Framework.

As a result of this work and building on all findings to date, and to achieve the board objectives stated above, staff have significantly modified its standard data collection form to a collection and calculation model. The new form continues to collect the same information as before but requests additional information from what was collected prior to the enhancements.

In addition, with the model updates, staff can now:

1. Compile and show six years of data—one year at a time—as opposed to one year only which it did before.
2. Request operating and capital activity financial information to be broken out more clearly.
3. Receive more information that separates operational and capital funding activities. This will provide schools with a clearer picture of their financial performance. Moreover, this distinction will also enable more consistent and accurate treatment of the operational impacts of capital funding.
4. Calculates ratio results in real time for the schools so they can see early on the results they are getting.
5. Be enabled to take into account more of the nuance discussed above, with regards to such factors as the age and size of the school. Staff are exploring appropriate measures based on the age of the school and its size.

In addition to the above, staff has focused some time on possible recommended changes to the current financial performance framework, including the Unrestricted Days Cash on Hand and Total Margin measures.

Staff remains on track to have recommendations presented to the Authority at the November 2, 2018 meeting, with action possibly occurring at the November 30, 2018 meeting. However, given that state regulation requires that charter school audits must be filed with their sponsors, the Department of Education, and the Legislative Counsel Bureau by December 1 of each year, the Authority may wish to defer action until such time as staff can perform an analysis of the 2018 audits to illustrate the differences between how schools would be rated under the proposed revisions as well as the framework approved in September 2017.