

This document lists feedback from schools to the proposed Financial Performance Framework during and after our two-day informational sessions held in Hilo and O`ahu.

School's Comment/Feedback from the March 1, 2017 Informational Session at Connections Public Charter School

Comment/Feedback	Response
The enrollment variance should be used against the budget to ensure there is a balanced financial position after 10/15, not for over or under projecting enrollment on 5/15.	The Commission appreciates this feedback and has replaced the enrollment variance measure with a budget variance measure in the proposed Financial Performance Framework.
There is still a penalty position for component units as grant project expenses are counted against the school yet revenues are not in DCOH – undermines “economy of scale” concepts.	The Commission adopted the motion to count component unit for evaluating purposes under the current financial performance framework only when a charter school’s annual audited financial statements include the presentation of reporting audited component unit.
Grants brought in for multiple years that expire are counted against the “positive trend” in cash flow which will disincentive schools from applying for other funding.	Under the proposed Financial Performance Framework, cash flow helps assess a school’s sustainability over a period of time in an uncertain funding environment, as in the example provided, and only accounts for ten percent of a school’s aggregate final risk assessment, so that it is not counted against the positive trend.
Request positive audit patterns relieve compliance tasks.	The Commission appreciates the comment. However, this is currently not applicable to the development of the proposed Financial Performance Framework under the current contract revision.
Request release of funds asap not waiting until 6/30 when the school year is finished and budget request with actual data to inform collective bargaining increases be done based on staff and submitted to the leg with the biennium request.	While the Commission appreciate this suggestion and will look into it in the future, this comment is currently not applicable to the development of the proposed Financial Performance Framework under the current contract revision.
Recommend those schools with challenging financial compliance under the current punitive contract be offered a trial risk assessment under the new framework to inform their new contract term.	Thank you for this recommendation. The Commission suggests schools taking this request to the Commission for early implementation.
Request AG Briefing with schools and commission audience to clarify charter laws, i.e. define	The Commission appreciates this suggestion and recommends schools contact their AG for

“operational budget”, clarify reserves, clarify funding distribution etc.	questions related to public charter school laws.
I wanted to suggest creating a google document that is shared to all and we can all see the input and add to it or others comments so you have a comprehensive document to discuss and review in consideration of changes.	To ensure that all schools have access to the document, the Commission decided to send the document file via direct email to all stakeholders for comment/feedback. The Commission will consider using Google doc in the future.
I had suggested the school to have the ability to have a few lines of narrative at the end of each measure. We understand that this is a public document and we are very grateful for the TREND data that will be used. If there is a valid reason for a trend going in a negative direction, this provides the school the opportunity in a nutshell to explain WHY this is occurring. Any time the Commission sees a trend toward the negative direction, naturally, concerns will be raised. Instead of having to call each school and finding out what is going on, you will have an explanation readily available. Please see KOKLs response as an example to the financial measure in our dire situation, two years ago after the hurricane and lava.	The Commission is looking into other areas, outside of the framework, where schools may be able to explain, in a narrative form, the risk assessment result for each indicator whether it is trending upward or downward.
I also expressed concern that a school would be negatively graded in the financial performance measure if their enrollment grows and is greater than their projection.	The Commission has replaced the enrollment variance measure with a budget variance measure in the proposed Financial Performance Framework.
I always project conservatively and our projection was especially difficult but provided for our board to approve a 3 year disaster recovery plan. We have exceeded our projected budget in order to get a balanced budget one year ahead of time and we are thrilled that this has occurred. This puts us in less financial risk and we should not be negatively impacted by this. I am trying to provide you with real life examples so you can understand the concerns.	Thank you for taking the time to give us some real life examples. The Commission looks forward to working together on ways to make improvements.
While I understand the projected vs actual enrollment criteria, I think we should listen to the inputs provided by the Principals about this measure. At KOKL, we have a DRAFT budget that is board approved in May. This is our best guest and	The Commission has replaced the enrollment variance measure with a budget variance measure in the proposed Financial Performance Framework.

we have no idea of our per pupil award, the second DRAFT budget goes to the board in August after school has started and we have possibly a better idea of where we stand but as everyone stated yesterday, there is a lot of influx from August through October 15. At our November Board meeting, after October 15 official count date, we approve the FINAL budget.	
Final budget be adjusted to be balanced according to the per-pupil that occurs in October. Perhaps the measure could be a review of the prior year final approved budget for schools being balanced or adjusted to reflect the actual per pupil? I know you great minds could think of a measure for this. The goal is to have real and meaningful measures that reflect the true health of the schools financially and somehow, this measure does not reflect this and at the very least, if we are dinged for growing our capacity by increasing student numbers.	For financial reporting purposes, the school shall prepare and provide to the Commission a copy of its annual budget as approved by the School's Governing Board for each upcoming fiscal year by June 15 or two weeks after the Commission notifies the School of the anticipated amount of State non-facility general fund per-pupil funding to be allocated, whichever is later.
Consider an optional narrative explanation provided by schools receiving a low rating in any area.	The Commission is looking into other areas, outside of the framework, where schools may be able to explain, in a narrative form, the risk assessment result for each indicator whether it is trending upward or downward.
Consider removing the enrollment variance from the assessment, however use it primarily to provide the data requested from Budget and Finance because they are not able to accommodate a time period when quality data is obtainable.	We have replaced the enrollment variance measure with a budget variance measure in the proposed Financial Performance Framework.
Utilize the November budget rather than the June budget because schools are dependent upon the October enrollment data as well as the actual per pupil allocation.	For financial reporting purposes, the school shall prepare and provide to the Commission a copy of its annual budget as approved by the School's Governing Board for each upcoming fiscal year by June 15 or two weeks after the Commission notifies the School of the anticipated amount of State non-facility general fund per-pupil funding to be allocated, whichever is later.
Request that the 10% per pupil balance in January rather than May - determine why DOE made change was made.	While the Commission appreciates this suggestion and will consider this in the future, this comment is currently not applicable to the development of the proposed Financial Performance Framework

	under the current contract revision.
<p>Provide more details so that it is not left to interpretation, such as:</p> <ul style="list-style-type: none"> • Current ratio does not include payroll and payroll liabilities especially vacation and sick leave liability. • Unrestricted cash calculate the days cash based on prior year audit report for current year assessment and the component units need to be included in the audit to be included in this ratio. • Debt ratio - similar comment as current ratio. 	The Commission has provided additional language to the proposed Financial Performance Framework to address the bulleted items.
Note that 25% operational reserve is now optional and no longer weighted/assessed.	Thank you for pointing this out.
More information needed regarding examples of corrective action plans.	An Intervention Protocol will be attached as Exhibit D in the new contract.
Consider immediately amending current assessment framework to implement this assessment framework.	The Commission greatly appreciates this comment and suggests schools taking this request to the Commission for early implementation.

School's Feedback from the March 2, 2017 Info Session at the HiSAM

Comments	Response
Clarify language in the rubric for unrestricted days of cash on hand, cash flow, and total margin.	The Commission has updated language in the rubric for unrestricted days of cash on hand, cash flow, and total margin.
Clarify language in the description of the debt to asset ratio (e.g. short vs. long term categories)	The Commission has expanded language in the description of the debt to asset ratio.
Perhaps trend shouldn't matter at all if there's an even larger amount of days? 90 days?	Trend analysis of financial data is important in making projections and assessments. It takes in consideration of the patterns of current and past performances to determine how schools will perform financially in the future.
I can understand why a lower-than-projected enrollment would be a concern, but why penalize a school if there's a sudden surge in enrollment, beyond the budgeted amount?	The Commission has replaced the enrollment variance measure with a budget variance measure in the proposed Financial Performance Framework.

<p>Please clarify the legal requirement for annual audit versus ability for financial review for high performing schools.</p>	<p>This comment is currently not applicable to the development of the proposed Financial Performance Framework under the current contract revision. The Commission still appreciate this request and will address this in the near future. Meanwhile, here is the HRS language:</p> <p>HRS Section 302D-32 states that "each charter school shall annually complete an independent financial annual audit that complies with the requirements of its authorizer and the department provided that the authorizer shall have the discretion to allow a financial review in lieu of an independent financial audit.</p>
<p>Will trend be used in the enrollment information?</p>	<p>The Commission has replaced the enrollment variance measure with a budget variance measure in the proposed Financial Performance Framework. Trends will not be used in the budget variance measure.</p>
<p>When can we review the corrective action process in relation to fiscal performance?</p>	<p>The corrective action process will be covered in the Intervention Protocol. The Commission also added language that covered a corrective action plan in the Financial Performance Framework.</p>
<p>Any plans to change the quarterly reporting format?</p>	<p>The Commission intends to include the risk assessment template as a new tab for schools to use as an internal tool, but not for reporting purposes. Any other changes to the quarterly reporting format will be minor.</p>
<p>When will the Commission be releasing fiscal information for schools to create budgets such as Per pupil amounts, Federal Impact Aid awards, Collective BU Allocations, etc...</p>	<p>The Commission annually notifies the schools of the anticipated amount of State non-facility general fund per-pupil funding to be allocated, as appropriated by the State Legislature. The Commission distributes all other funds (e.g. federal, collective BU allocations) in accordance with applicable federal and state rules and regulations.</p>
<p>This bread business model work is we could set the price for our "bread." If the state is underfunding school by not providing for facility, transport or food, how can it set the standard schools are required to PROFIT year after year!!!?</p>	<p>The Commission understands and appreciates the sharing of your concern with us.</p>

Other Feedback

Comments	Response
<p>We expect our spending to change dramatically over the next couple of years as we move into building for permanent facilities. As I understand it this will be looked at over a 3 year trend so this may or may not affect our risk in the cash flow measure, but is there a way to put in writing in the framework something that allows schools to undertake large projects without being penalized if they still meet the cash on hand measure?</p>	<p>The Commission appreciates this suggestion. Please know that your risk remains low if your school maintains cash on hand that exceeds 60 days throughout construction.</p>
<p>For the Total Margin measure do my revenues each year include savings? What would my risk look like if I was spending more than my income for a particular year and I had to dip into my savings to cover costs?</p>	<p>Total revenues reflect all revenue receipts and would not include savings.</p> <p>Risks increase if expenses exceed your revenues in any given year. Keep in mind that the formula is weighted and trend is taken into consideration. If your school dips one year but is able to recover the following year, then the risk would not be significant.</p>
<p>If the school holds a 3-5 year lease is this considered a liability?</p>	<p>In accounting, a 3-5 year is considered an operating lease which is treated as an expense shown on your income statement.</p>
<p>Can you provide an example of when it would ever be appropriate for schools (as a state entity) to maintain or have a debt?</p>	<p>Generally, schools are not allowed to enter into agreements such as land or property acquisition that would result in significant amount of debt. However, our presentation included an example of schools entering into financing agreements to purchase laptops or computers for school use.</p>
<p>I think since schools are graded on the reserves they keep it seems unfair when looked at from the perspective of a school that needs to deal with an emergency.</p> <p>The funds in reserve are a tool of the school's Governance Board and as such are there for them to use when it needs to mitigate or avoid an emergency.</p> <p>The school should not be penalized for good management. If the Governance Board is not able to use those funds without some type of corrective action by the Commission then I would say that</p>	<p>Under the proposed Financial Performance Framework, schools will be evaluated on a risk-based assessment, allowing the flexibility for schools to address an emergency.</p>

the Commission is actually taking funds away from the school by not allowing them to use their funds without some type of negative consequence imposed by the Commission.	
<p>I think there are a number of schools that have not matured financially particularly in their ability to keep themselves out of danger by not exercising prudent, conservative financial management.</p> <p>I do not think the Commission is able to provide that guidance. I do not see anyone in the Commission that has started a school or had to work under the scrutiny that only charters have to work under. Yet the Commission is ready to impose consequences.</p>	Your opinion, while important, is not applicable to the development of the proposed Financial Performance Framework under the current contract revision.
It used to be we had all of our funds by the end of January. That helps to keep debt down etc. We need to go back to that.	Your comment will be taken into consideration in the future.