

M E M O R A N D U M

Date: July 2012

To: All Interested Parties

From: Katrina M. Johantgen, Executive Director

Subject: Charter School Facilities Credit Enhancement Grant Program (CFDA #84.354A)
Frequently Asked Questions

This information is provided by the California School Finance Authority (Authority) and should be considered by charter schools while preparing an application for the Charter School Facilities Credit Enhancement Grant Program (Program). This information is also posted on the Authority's web site, www.treasurer.ca.gov/csfa. Please also refer to Program regulations, California Code of Regulations, title 4, sections 10192 through 10199. If you have any questions or require additional information, please contact the Authority at (213) 620-4467.

Q: *What is the Charter School Facilities Credit Enhancement Grant Program?*

A: The Program was developed by the United States Department of Education in order to assist charter schools overcome financial challenges that can limit their access to financing for school facilities. Unlike traditional public schools, charter schools typically do not receive funding from their local school districts to purchase, lease, or improve facilities. Securing financing can be problematic for new charter schools because they often lack assets to pledge and operating histories that lenders can rely on to evaluate a loan application. As a result, charter schools frequently operate in temporary space that is poorly suited to their educational mission. The Program is intended to absorb some of the risks of making loans to charter schools for their facility needs.

Q: *What is the Authority's role?*

A: As the administrator of the Program, the Authority will serve as the debt conduit issuer or placement agent for financings issued through this Program, and credit enhancement funds would serve as a primary debt reserve for these financings. Through its Performance Agreement with the U. S. Department of Education, and memorialized in regulations adopted by the Authority (California Code of Regulations, title 4, sections 10192-10199), program goals have been established to serve communities in need, implement the Program in a timely manner, provide financing on more favorable terms, and ensure adequate marketing and dissemination of Program information. Additionally, the Authority has established the objectives of both targeting charter schools serving low-income students, with at least 50% of students eligible for free and/or reduced price meals and facilitating significantly lower cost financing for Program applicants that demonstrate the ability to access the capital markets with a minimum leveraging ratio of 8:1.

Q: *What are the available funds under this Program?*

A: There is a total of \$8.3 million in Program funds available for California charter schools. Individual awards will be capped at \$1.5 million per applicant, based on program criteria.

Q: *Who is eligible to apply?*

A: An applicant shall be eligible to apply for an award of a reservation of funds under this Program if all of the following conditions are met:

- An approved charter has been awarded and is in place and current at the time of application throughout the application review and approval process and throughout the term of an award.
- The charter school is in good standing with its chartering authority and is in compliance with the terms of its charter at the time of application submission. The Authority will rely on information from the chartering authority regarding the charter school's good standing and compliance with the terms of its charter.
- The charter school has completed at least one school year of instructional operations under its current County-District-School (CDS) Code and charter number issued by the California Department of Education.
- At least eighty percent (80%) of the classroom-based instruction offered by the charter school shall be at the financed school site, and the charter school shall attain an average daily attendance rate of at least eighty percent (80%) based on the charter school's most recent California Basics Educational Data System (CBEDS) report.
- The charter school is established pursuant to Education Code section 47600 et seq., and also meets the federal definition of charter school as defined in section 5210(1) of the Elementary and Secondary Education Act of 1965 (20 USCA section 7221(i)), as amended by the No Child Left Behind Act of 2001.
- The charter school admits students by lottery in the event more students want to attend the school than the charter school can accommodate.

Q: *What can Program funds be used towards?*

A: Program funds must be applied toward funding the primary debt service reserve requirement for debt issued by or through the Authority for an Awardee to acquire, renovate or construct charter school facilities, or refinance existing charter school facility debt.

Q: *What is the application deadline?*

A: There is no application deadline. Grants under the Program shall be available and awarded on a rolling first-come-first-serve basis, to the extent that funding and appropriations are available, and the requirements of the Program are satisfied. The review process will remain open while program funding is available.

Q: *Should the application be submitted to the Sacramento or the Los Angeles address?*

A: Applications should be mailed or hand delivered to the Authority's office in Los Angeles. The address is provided below:

California School Finance Authority
Attention: Katrina Johantgen
304 S. Broadway, Suite 550
Los Angeles, CA 90013

Q: *Will charter schools that receive these federal funds be required to comply with any audit requirements?*

A: Subgrantees that receive more than \$500,000 in federal funds in any year, in combination through this program and with any other grant program, will be required to conduct an A-133 audit (www.whitehouse.gov/omb/circulars).

The State may conduct periodic audits, including site visits, to ensure awardees are using funds consistent with the requirements and the terms of the Program, the related financing program, and Program regulations. Please see California Code of Regulations, title 4, section 10198.

Q: *How is an application evaluated?*

- A: The Authority will evaluate and determine Program awards based on the following:
- (a) The applicant meets all Applicant Eligibility Criteria under Section 10194 of the Program regulations.
 - (b) The applicant demonstrates to the Authority all of the following:
 - (1) Agreement to use the intercept method to repay its debt, pursuant to Education Code section 17199.4(a)(4);
 - (2) Ability to demonstrate to the Authority that Program funds are leveraged at a minimum of a 8:1 loan-to-award ratio; and
 - (3) Ability to secure private placement of its debt with an investor(s), secure an investment grade credit rating from a national credit rating agency in conjunction with a public sale, or other evidence, satisfactory to the Authority, that the transaction will be completed.
 - (c) In addition, the Authority may evaluate the following criteria as it relates to the applicant:
 - (1) At least fifty-percent (50%) of the charter school's pupils are eligible for free and/or reduced meals as reported by the California Department of Education for the most current year.
 - (2) Student performance data for the last three academic years under the API, if available;
 - (3) A commitment of substantial equity toward the project being financed; and/or
 - (4) An award of additional tax-advantaged financing instruments.