

California School Finance Authority

Webinar Transcript Incentives Grant Application April 14, 2016

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The State Charter School Facilities Incentive Grants Program (CFDA #84.282D) (Program) Webinar will highlight completing the application, updated regulations, eligibility criteria, and supporting documents.

[Webinar commenced at 10:00 a.m.]

Title Slide – State Charter School Facilities Incentive Grants Program (CFDA #84.282D)

Katrina Johantgen: Good morning, everyone. This is Katrina Johantgen, I am the Executive Director of the California School Finance Authority. I wanted to welcome all of you to the State Charter School Facilities Incentive Grants Program webinar. Jose Franco is going to be covering some housekeeping items as well as presenting on the program.

Today we're going to be looking at an overview of the problem, we're going to be spending a great deal of time on the supplement/supplant issue that we encounter when schools are applying to both the SB 740 program in addition to the federal program.

Slide 1 – Housekeeping (0:30)

We're going to cover the mechanics of the program related to preference points, how a maximum grant is calculated, program eligibility, and then covering eligible and ineligible costs. I did want to note that questions will be answered within five business days and those can be submitted to the organizer, and Jose will be covering instructions on how to submit those questions. And again, this is a listen-only mode webinar. Thank you so much.

Jose Franco: Good morning, everyone. This is Jose Franco with the California School Finance Authority. Thank you, Katrina, for the introduction. As Katrina mentioned we're going to be covering a lot of the details about Round 12 which is the current funding

round that is open as well as the supplant/supplement issue with State versus Federal funding and the mechanics of the program as well. Let me get to the proper slide, and we'll begin. If you have technical issues, go ahead and call the number on the slide that you see right now or go to that link as well. For live captioning, it's available at that link that you see on your screen as well.

As Katrina mentioned within 5 business days after this webinar we will be responding to all of the questions you submit in written format. We will be sending that out to all of the attendees along with the presentation and the transcript of the presentation as well as a recording will be online at CSFA's website, and I will have that information for you at the end of the presentation.

Let me move on to the next slide here. Bear with me, seems like we're having some-

Slide 2 – Agenda (2:42)

So the agenda is on your screen now. This is what Katrina mentioned, so we're going to be going over once again the program overview, supplant/supplement issues, federal vs state funding. The federal funding is the State Charter School Facilities Incentive Grants program, and state funding refers to the SB 740 program as well as the mechanics. I'll explain a little bit about the preference points evaluation process, and I will mention that a detailed description of how we come to the preference point evaluation is in our regulations for each one of those preference points so I will direct you to that as well at the end of the presentation.

Slide 3 – Overview (3:33)

So for the program overview, this is, as you could gather from what we've said so far, this is a federal grant program. We administer the program on behalf of the State of California. CSFA applied to the U.S. Department of Education for this grant three separate times, and all three times we received a \$50 million award for California charter schools and right now, we – Funding Round 12 will be the second funding round out of five for our third grant. So we're happy that we've received continuous funding from the Feds on this grant.

The program does provide funding for rent, lease, mortgage, or Prop 39 facilities. Payments for purchase, construction, and renovation as well. I'll go a little bit as to how those awards are calculated based on what type of project a school is applying for, and that will be in the coming slides. This program does assist schools that demonstrate need, and that's primarily once we review the preference points criteria you'll see that the Free and Reduced Price Meal percentage does account for a lot of those preference

points, and that's what's referenced here in the “assisting schools that demonstrate need.” The overall program- grant award cannot exceed 75% of the eligible annual facilities cost. And I will mention this is a 3 year grant award. The overall -- the grant award is locked in, so for example, if we consider your current annual facilities cost and take 75% of those costs, even if costs go up in the subsequent years, years two and three, were you to be granted an award, that is not- your overall award would not change; it would be locked in for all three years.

There is a cap. If you apply for rent, lease, mortgage, Prop 39, or debt service costs, there is a cap of \$250,000 per year. That's \$750,000 for general overall award. And for construction purchase and renovation costs, there is a cap of \$500,000 a year; \$1.5 million over three years.

Slide 4 – Supplant/Supplement (6:05)

So now to the supplant/supplement issue which I am sure all of you are interested to hear about. Federal funds can be used to supplement but not supplant State funding. And I'll go into a lot more detail in the coming slides about that. There's also a matrix that we've designed to kind of guide you as to what qualifies for supplant/supplement or what type of costs qualify for each individual program as well. Schools eligible for State funding must apply for State funds before Federal funds. So because of this supplement versus supplant issue, there are schools that qualify for funding through both programs.

In Round 11, we had 22 schools that received funding from both programs. But typically, most schools that applied for both programs only qualified for funding through the State program depending on the type of cost they are submitting. And I'll go through more examples as we move on. The funding cannot exceed 75% of annual lease costs in either program or a combination of both programs. And again that matrix will explain what I'm referring to. Schools that applied to both programs will receive funding through SB 740 first, and if there are other eligible costs that we can consider under the federal program, then we will go ahead and do that. But all costs will be evaluated through the SB 740 program, or the State program, first, if those costs are eligible.

Slide 5 – Supplant/Supplement Cont. (7:58)

Separate project types may qualify for SB 740 and the Incentive Grants program, and that will be determined on a case-by-case basis. What I mean by that is as you'll see in the matrix that's outlined in the next slide, if a school were to submit these costs for the State program, for SB 740, and also submit a purchase cost for the Federal program, all of those costs may be eligible; and the school may get funding through both

programs. For SB 740, the way the calculation there works is the lesser of the ADA times \$750 or 75% of the annual facilities costs. So whichever one of those calculations is lower would be the award. Charter schools do qualify for rent, lease, and/or renovation costs under this program.

For the Federal program, it's a little different. Through that program we look at enrollment rather than ADA. So we look at the lesser of enrollment times \$750 for lease, rent, debt service and Prop 39 costs, and for construction we look at \$1,000 times number of enrollment for renovation, purchase, and construction costs. Or 75% of the annual facilities costs, whichever is lower. And I'll outline the main distinction here.

Again, for the State program, you do not qualify for debt service costs, under the Federal program you do. Under the federal program you also qualify for Prop 39 costs, which is something to keep in mind depending on what type of costs you may be submitting. At the very bottom here, you see the supplant/supplement formula that we use. The way this works is if a school applies to both programs, the only way that it will be a supplant/supplement issue is if the school is capped at the ADA cost award under the SB 740 program.

If, for example, a school was capped at ADA, then we would look at enrollment or 75% of the facilities cost, whichever one is lower, and we would subtract the ADA calculation from that. And the matrix in the next slide will outline what I'm referring to more specifically. I will also note that we will be putting an example of what this will look like, this formula, and we'll add an example in the FAQs and we we'll post that up by tomorrow as well.

Slide 6 – Supplant/Supplement Matrix (10:58)

I do want to mention that schools with multiple sites can also apply to both programs. So keep that in mind. And again, if you have any questions, our information is going to be here in the last slide, so you can give us a call and/or e-mail us, and we will happily assist you with whatever questions you have.

So this is the matrix -- I hope you can see it -- that I was referring to. This matrix outlines the different scenarios in which you would either qualify for both programs or have eligible costs for both programs or if you only qualify for one program. So at the very top in purple, you see the different types of project costs that are eligible for the Incentive Grants program and on the left you see the different kinds of project costs that are eligible for the State program. So I'll give you a couple of seconds to look at this, and then I'll continue.

Alright, so I'll continue here. So if you look at, for example, square D1 which outlines if a school, for example, applies under the Federal grant program, Incentive Grants program for a purchase project, and they also apply under SB 740 for lease costs,

that would not present a supplant/supplement issue. And then the school would be evaluated for both programs without issue. If, for example, if you look at square A1, if a school submits the same lease cost for both programs, then the calculation that I mentioned before would come into play. The application or the cost would first be evaluated under the State program under SB 740 and if then there are eligible costs, so typically this would be an issue with, for example, a school is paying, I don't know, a million dollars' worth of annual facilities costs and their ADA and enrollment differs greatly, then we would have a situation in which the school may qualify for funding under both programs. Again, we will lay out a specific scenario. I apologize for not having that on this slide, but we will lay out specific calculation scenario for you guys and place it with the FAQs that are online now. Bear with us, and we'll get that on as well. So, you know, after this webinar, feel free to look at this. This matrix is also available as an attachment on the FAQs that are on our website now and so feel free to look at that. I hope this is somewhat clear. And we will go from there. Excuse me; I'm getting a question here.

And I do want to mention that enrollment and ADA is verified by the California Department of Education, so we use that information to calculate awards and while we're looking at schools that apply to both programs, or even schools that only applied to one program. We go ahead and get that information from the California Department of Education. So that information is verified through them. If, for example, you were to apply and you feel there's a discrepancy in what you believe your enrollment is or your ADA is, we would then take that conversation on a case-by-case basis, and we would look at your concerns. But, for the most part, CDE has provided pretty accurate information.

Someone is asking if we're going to have the presentation available after the webinar. We are. So again, we're going to post this presentation right after the webinar, so give us a couple of hours to do that. We will also be sending it out to all the attendees along with the answers to the questions that you may have -- technical questions -- about the programs. And so you can find that either on our website, or you can wait until we send out that e-mail. We'll move on here.

Slide 7 – Program Eligibility (16:11)

So for program eligibility -- and this is for the Federal grant program obviously -- the school does have to have a charter in place. So, that would be something, I think, that's fairly obvious. The charter school has to be in good standing with the chartering authority and in compliance with the terms of its charter. On your behalf, you would not have to do anything related to this item. We send out what's called a good standing letter to all the authorizers once you apply. And the authorizers would certify that you

are in good standing with them and are in compliance with the terms of your charter. This is something we conduct separately, and something you wouldn't have to worry about.

The charter school does have to have at least 80% of classroom-based instruction. And, again, we look at that based on the information provided by CDE in terms of ADA and enrollment. If this were to some reason be an issue or you feel there's a discrepancy, obviously you can give us a call, and we can discuss that as well.

The charter school does have to have completed at least one year of operations by the time of application. I specify that because a lot of the data that we use to evaluate applications and assign preference points is not yet available if the school is in its first year of operations by the time it applies. For example, API, AYP, the codes that we use that are provided by the National Center for Education Statistics which is a federal site that compiles all the data for schools nationwide. That type of information would not be available, so the schools would get very few points. And so this is one of the reasons why we require for the school to have at least one year of operations by the time it applies. The school has to be established pursuant to State and Federal definitions of a charter school. That's pretty obvious given that it's a Federal program managed by State agency. And so next slide here.

Slide 8 – Program Eligibility (18:37)

The school must admit students by lottery if it's oversubscribed. And we specifically look for this as you can imagine once you guys submit the application and you include a charter, we go ahead and we verify this information. If we were to look at the charter and there isn't language about a lottery, then we would then, you know, contact you guys about that or ask for further guidance or any information that you guys may have that may not be available in the charter. But typically we require for this to be in the charter when you apply.

A district-dependent charter school can apply if it can demonstrate operational and financial autonomy from its authorizing district. Again, we ask for specific documentation when a district charter does apply so keep that in mind. The charter school must have demonstrated eligible costs. If for some reason current costs are not available we will look at previous years' costs, and the costs we look at specifically are the current costs of the year the school applied. So, for example, for Round 12 which is the program would start -- or the grant would start in September of 2016 and the first year would be 16-17 for that grant. For Round 12, we would look at 15-16 costs, so current year costs. And then we would assign that over whatever the award is, we would assign that over the next three years, irrespective of whether the costs go up.

The charter school and applicant must be in compliance with all the programs

administered by CSFA. Including, and I'll give you a quick example, if, for example, you received money from SB 740 last year and -- excuse me. Let me get some water here. If you received some money for SB 740 last year and it turns out that your ADA ended up dropping or something happened and you owe money back to the program that has not been repaid, you would not be considered under this program.

Slide 9 – Preference Points (21:09)

Now to the nitty-gritty of how preference points are assigned. I'll note that the preference points are outlined in the regulations, very detailed. So, you know, you can obviously look at that, but also give us a call if there's any questions or you feel there is vagueness in the regulations and we'll gladly assist you with that. So typically on a regular year when all of the data is being captured both by the U.S. Department of Education and the California Department of Education, the total preference points that a school could be assigned would be out of 150. This year, however, because the California Department of Education has not captured API data since 2013 which we use for student performance and also to assign 10 of the 20 points for school choice, this year the total preference points would be out of 120. So keep that in mind.

The first category is low income. So this is out of 60 points. Obviously, as you can imagine, if you have 100% of free and reduced price meal percentage in your school, you would get 60 points, whatever variation there is between the percentages then obviously you would have different points assigned. There is a chart on our regulation -- in our regulations that lays out exactly how many points you would get depending on what your FRPM percentage is currently. And typically we get that data from CDE towards the end of May. So whatever you have and whatever CDE presents to us at the end of May, early June, may differ. So keep that in mind.

We do assign points for overcrowding. That's ten points. We use CALPADS data from the California Department of Education or what's on their overcrowding schools list. And it's either you're on that list or you're not or there's a school on that list that is within your miles radius that we assign based on the Locale Code.

And I know I'm going through a lot of technical jargon here in terms of how we look at preference points, but all of these definitions are outlined in the regulations. I wish I had more time to go over each single one of them, but that would make it less fun probably. So go ahead and look at that if you are confused as to what a Locale Code is and what is not.

We do assign 20 points for non-profit status. And again, we require on the application that you submit documentation for that. We will not be capturing points for API or for student performance this year. So those points will not be captured. Again, it's going to be out of 120 points. We are- we will be capturing 10 out of 20 points for

school choice, and that will be solely for the AYP. So if a school meets its AYP target and a traditional public school within the mile radius that it's assigned based on the locale code does not, then the school or the applicant would get those 10 points. And if you're a first-time awardee, you get 20 points.

I want to clarify this because we receive questions about this; even if you were not disbursed funds, if you applied and you received an award and a grant agreement was executed, you are considered an awardee or past awardee. Keep that in mind. And if the data is not available, points will not be assigned. And that's a reference to what I mentioned before: a lot of schools in their first year of operation will not have a lot of data. So if there isn't a locale code assigned by the NCES or there isn't data available through the California Department of Education, you will not be assigned points for that.

Slide 10 – Maximum Grant Calculator (25:28)

So this is how we calculate – or this is what the maximum grant award for the school could be.

So we do the lesser of the two calculations. We do \$750 times enrollment, this says per pupil, but basically enrollment for rent, lease or Prop 39 facilities, for projects. For construction, renovation, or purchase, we do \$1,000 times enrollment. And, again, this is capped at \$250,000 for rent, lease, or Prop 39 costs or debt service costs; and for construction, renovation, and purchase, we cap them out, it caps schools out at \$500,000 a year or \$1.5 million for three years. The- I do want to point out that if you were to get an award under construction, renovation, or purchase, you can draw down those funds immediately as soon as you present eligible costs that can be verified by CSFA.

So if you were to get an award for Round 12, the grant period would start in September of 2016. If you can show eligible costs by late September, then you could draw down the entirety of the grant award if CSFA deems those costs are indeed eligible.

Slide 11 – Round 12 Funding Round (26:58)

For Funding Round 12, we estimate that we're going to have anywhere between \$16 and \$18 million. The application is currently open and is due by 4:00 p.m. on April 27th. And that has to be -- 4:00 p.m. by April 27th means it has to be in one of our offices by 4:00 p.m. It cannot be in the mail or postmarked. It has to be in our offices, so just keep that in mind. And the funding determination will be made by the end of July.

Funding determinations for this program every year have to be approved by a

CSFA board. The CSFA is governed by a three-member board: The Superintendent of Public Instruction, the State Treasurer, and the Director of Finance. So we bring this item -- the awards to the board, and they approve them. This should be done by late July.

Slide 12 – Eligible Costs (28:00)

I'll go over briefly over eligible costs again. So, again, schools are eligible for base rent, lease, mortgage, debt service, and/or Prop 39 costs for existing facilities. Schools that get an award for these costs get disbursed 36 different disbursements of equal amount over the three years. And so every six months, we ask that schools certify their costs and we also ask they certify other information. And if you were to be an awardee, we would walk you through that process. Again, for purchase, acquisition, or new construction, or renovation, the drawdown process is different for awardees. You can draw down the award, the entirety of the grant award as soon as you present eligible costs to CSFA. So you would not go through the 36-month process where every month we send you a disbursement, you know, for a certain amount. You can draw down all of it.

Obviously that's because construction costs, renovation projects typically don't last three years, and, you know, costs go up very quickly for those projects. The school may use the award to pay for current or future facilities costs, and it is a three-year award as I mentioned before.

Slide 13 – Ineligible Costs (29:31)

Now, I'm going to cover what costs are ineligible. Costs incurred prior to the date of the grant award. And that date would be September 1st. So the process is the Board approves the awards in late July. Late July through August, we speak to the awardees. We send out a grant agreement and award letter. The schools review that grant agreement and award letter and sign it and send it back to CSFA along with other certification documents. And so that grant award would start September 1st.

A school district costs of providing a charter school with the facility would not be eligible. So there are -- we have received in the past, applications where a district applies on behalf of the school and upon close examination of the lease, the district is actually providing housing for the school without rent or lease payments, so that would not be eligible.

So supplementing any project funding through SB 740, again, that would not be eligible. We went over that at the beginning but kind of a point of reference here to keep that in mind. So you cannot use the federal grant funds to make CSFP payments to

the State either. That's our Prop 47, Prop 55, and Prop 1F program where schools get a 50% grant for construction projects and they either take out a loan for the other 50% or give a lump sum payment. So payments that are to be made to the State through that program cannot be made with money used from the Federal grant. And also the federal grant fund cannot be used to satisfy the local matching share through the CSFP program which I just mentioned, the so-called "lump sum" payment.

Slide 14 – Reminders (31:56)

A couple of reminders. So again, Round 12 application is due by 4:00 p.m. on April 27th, and again, this has to be in our offices by 4:00 p.m. That's a very strict deadline so bear that in mind please. We will be having an SB 740 webinar, and that will take place on Tuesday, May 3rd at 10:00 a.m.

We will be sending out a listserv message with this information as well for that webinar so you can register and hear the other side of the coin as to the supplant/supplement issue and how SB 740 is administered and what's eligible or not eligible under that program. The application will be released later this month, and it will be due in early June. So as soon as we have an exact date, we will be sending out a listserv message to everyone who's registered in our listserv. If you're not at this point, please go on our website and do that. You will get all the information related to CSFA program updates, board meetings, regulation changes, and whatnot.

And as I mentioned at the beginning, the program regulations, FAQs, supplant/supplement matrix which I briefly covered as well as the webinar presentation, transcript of this presentation, and the recording will be available online. We will be also sending out information to everyone within five business days regarding questions. We'll be sending out those answers, and we'll be sending out the presentation as well.

Slide 15 – Contact Information (33:44)

Here is our contact information. So these are the analysts that are primarily involved with the federal grant program. And, you know, each one of these individuals are experts, and they can answer your questions. We have two offices; one in Sacramento and one in Los Angeles. The Addresses are on here.

Please note that for those of you who are familiar with CSFA, we moved last July, so the address on this slide reflects our new address. So please don't send applications or make sure not to send applications to our old address. And go on our CSFA website and look at the regulations and information that you may need related to this program and feel free to contact us with any questions. E-mail or phone will work as well. I believe that is it.

Katrina Johantgen: I just want to thank everyone who dialed in and participated on this webinar, and I want to thank Jose for guiding us through the program.

Jose Franco: I know we went fairly quickly through this so again, if you have any questions, just give us a call, and we thank you for participating.