

MEMORANDUM

Staff Summary No. 4

Date: June 14, 2017

To: Members of the California School Finance Authority

From: Katrina M. Johantgen, Executive Director

Re: Resolution No. 17-17 Approving Amendments to the Regulations for the State Charter School Facilities Incentive Grants Program and Authorizing the Rulemaking Process

In 2004, the California School Finance Authority (Authority) was awarded a \$49.25 million grant from the U.S. Department of Education to assist charter schools that demonstrate the most need with their facilities costs including rent/lease, renovation, or purchase. The per-pupil facilities aid grant was awarded over five years to eligible charter schools based on specific award criteria (rounds 1 to 5). In 2009, the Authority applied for and was awarded a second five-year grant in the amount of approximately \$46 million (rounds 6 to 10), with Round 10 awarded in June 2014. In 2014, the Authority applied for and was awarded a third five-year grant in the amount of approximately \$50 million (rounds 11 to 15), and Round 13 awards are anticipated to be made in August 2017. Staff is proposing changes to the regulations that guide the State Charter School Facilities Incentive Grants Program (Program), as described below.

The Authority intends to proceed with the Regular Rulemaking Action and Certificate of Compliance upon the Authority Board's approval of the following proposed amended permanent regulations:

Section 10176 Definitions

- Deletion of Academic Performance Index Growth (API) and Adequate Yearly Progress (AYP) as the terms are no longer relevant due to the California Department of Education's (CDE) transition to Common Core State Standards (CCSS).
- Addition of Average Daily Attendance and Enrollment as they have not previously been defined.
- Expansion of Davis Bacon to Davis Bacon and Related Acts.
- Addition of Smarter Balanced Assessment System required under the CCSS which will be used to replace API and AYP.
- Various clean-up changes that are considered non-substantive.

Section 10177 Eligible Applicant

- Addition of a 60 day timeframe in which applicants have to cure noncompliance deficiencies noted by their charter authorizer.

- Clarification that schools must have one year of instructional operation under their CDS code at time of application.
- Addition of criteria Authority staff will use to review district-dependent charter schools to determine operational and financial autonomy related to:
 - Governance structure,
 - Operations,
 - Staffing,
 - Financial decisions.
- Addition of documents Authority staff will review for district-dependent charter schools to determine operational and financial autonomy such as:
 - Audits,
 - County treasury reports,
 - Governing Board structure and member list,
 - District and employee lists
- Change to language allowing charter schools to apply to funding round if current grant is completed at commencement of new grant period.
- Addition requiring that school's public lottery process is outlined in school's charter agreement.
- Various clean-up changes that are considered non-substantive.

Section 10178. Eligible Costs

- Clarification in section title to reflect the section refers to eligible and ineligible costs.
- Various clean-up changes that are considered non-substantive.

Section 10179 Maximum Grant

- Addition to give the Authority explicit authority to reduce grant awards if substantive decreases in school's enrollment, lease costs, etc. occur.
- Various clean-up changes that are considered non-substantive.

Section 10180 Application Submission

- Deletion of language stating all documents must be received at time of application.
- Addition of language stating deficiency notices will be sent to schools who did not submit all required documents.
- Change in date awards will be made from June 30 to August 31.

Section 10181 Content of Application

- Deletion of application submittal requirements related to paper applications.
- Clarification/addition stating charter agreement and leases need to be current and valid.
- Change from "Davis Bacon" to "Davis Bacon and Related Acts."

- Addition of language giving explicit authority to declare construction/renovation and purchase projects ineligible for failure to provide proof to the Authority that the project has been started within one-year of grant award date.
- Various clean-up changes that are considered non-substantive.

Section 10182 Evaluation Criteria

- Deletion of Academic Performance Index Growth (API) and Adequate Yearly Progress (AYP) as the terms are no longer relevant due to the California Department of Education's (CDE) transition to Common Core State Standards (CCSS).
- Addition of Smarter Balanced Assessment System required under the CCSS which will be used to replace API and AYP.
- Various clean-up changes that are considered non-substantive.

Section 10183 Award Methodology

- Clarification that ranking is based on total number of preference points.

Section 10185 Obligation and Expenditure of Funds

- Clarification identifying when grant period begins.
- Addition of current and future funding rounds timelines.
- Addition of language allowing the Authority to find subgrantees ineligible for repeated failure to respond to information/documentation requests within 90 days of original request.
- Various clean-up changes that are considered non-substantive.

Section 10187 Grant Agreements

- Addition of school name, facility address, and charter authorizer to list of material changes subgrantees must notify the Authority about.
- Addition of form required to substantiate the project has been initiated within the required six month timeframe.
- Various clean-up changes that are considered non-substantive.

Section 10188 Release of Funds

- Reorganization of section, broken out by project type.
- Addition of documentation required prior to processing disbursement requests.
- Addition of continued eligibility requirement, moved from Section 10190.

Section 10189 Completion of Grant Funded Construction Project

- Addition of language specifying that final disbursement will not be issued until certification of project completion has been received by the Authority.

Section 10190 Audits and Conflicts of Interest

- Deletion of continued eligibility requirement as it was moved to Section 10188.
- Expanding Davis Bacon to Davis Bacon and Related Acts.

Recommendation: The Authority recommends the Board adopt Resolution 17-17 approving amendments to the State Charter Facilities Incentive Grants Program regulations. If approved, the Executive Director will initiate the rulemaking file for processing by the Office of Administrative Law, and will distribute the proposed changes to interested parties for public comment.