

MEMORANDUM

Date: November 27, 2012

Staff Summary No. 8

To: Members, California School Finance Authority

From: Katrina M. Johantgen, Executive Director

Re: Resolution No. 12-41 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) applied for and 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—this includes rent, renovation, or purchase. The per-pupil facilities aid grant was awarded over five years for 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 \$48.5 million (rounds 6 to 10), with Round 8 recently awarded in June 2012.

Staff is proposing changes to the regulations that guide the State Charter School Facilities Incentive Grants Program (Program). The proposed changes to the regulations will be in effect for the next two scheduled funding rounds (2013 and 2014).

The most significant change is in Section 10179 (d), in which the proposed amendments include a process for awarding funds to alternates of the final funding round in the event sufficient funds become available to allow for either an additional funding round or, alternatively, if all alternates are exhausted, then awards to current subgrantees may be increased if their annual facility costs have increased.

Other proposed clarifying changes and amendments to the Program regulations include:

Section 10178 – Eligible Costs

- Subsection a: Clarification that eligible costs may include any combination of costs for base rent, lease, mortgage, Proposition 39 pro rata costs, and debt service. This clarifies that other costs such as utilities or reserve accounts are not eligible costs under this program.
- Subsection d: Addition of language stating these grant funds may not be applied toward overhead or administrative costs of the school, chartering authorizer, educational management organization, or any other entity.
- Subsection e (formerly d): Clarification that these grant funds may not be used to supplement any school project/location receiving funds through the Charter School Facilities Program (CSFP).

Section 10179 – Maximum Grant

- Subsections a and b: Clarification that the enrollment used to calculate grant awards will be based on eligible K – 12 grade student enrollment on file with the California Department of Education. Enrollment not reported on CDE's website cannot be used for purposes of making grant awards.
- Subsection d: Addition of language clarifying the award of available grant funds to alternate subgrantees. Currently, grant funds that become available will be awarded to alternate applicants, in rank order, from the most recent funding round until the scheduled time for the next funding round at which time funds that become available will be combined with the available funds for the next funding round. The new language will provide that if sufficient funds become available after the tenth funding round, the Authority may hold another funding round. Alternatively, if all alternate applicants from the tenth funding round are exhausted and an eleventh funding round is not scheduled, available funds may be awarded to current subgrantees of the final funding round, in rank order, that demonstrate increased facility costs.

Section 10180 – Content of Application

- Subsection h: Clarification that site control for construction/renovation projects will need to demonstrate site control for a minimum of the three-year grant period.
- Subsection j; Addition of language requesting verification at the time of application that the subgrantee will ensure that construction or renovation project assisted with these federal funds will meet the prevailing wage requirements in the Davis-Bacon Act.

Section 10182 – Evaluation Criteria

- Subsection f: Clarifies that the First-Time Award Competitive Priority will apply to applicants under all funding rounds.

Section 10185 – Obligation and Expenditure of Grant Funds

- Amends the end of the grant period for the 2004 grant (funding rounds 1-5) to September 30, 2013.

Section 10188 – Release of Funds

- Subsection b: Clarifies that disbursements are to be applied toward eligible costs as identified under the grant program.

Recommendation: Staff recommends the members adopt Resolution 12-41 approving amendments to the regulations for the State Charter School Facilities Incentive Grants Program. 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.