

California School Finance Authority Webinar
Charter School Facility Grant Program (SB 740 Program)
May 6, 2020

>> IAN DAVIS: Good morning. I'm Ian Davis. Today, we will host a webinar for the SB740 program. I would like to start off with housekeeping and technical rules.

If you have any technical issues, please call 877-582-7011. We also have live captioning available at the link provided on the first slide. We will provide a full recording of the webinar as well as of transcription of the webinar itself about a week from now.

If you have questions, there is a Question tab on GoToWebinar. You can send questions to us at SB740@treasurer.ca.gov. For technical issues during the meeting, send to the question tab on the GoToMeeting. I will try to address those. Most questions will be addressed and answered after the meeting and directly e-mailed to you, as well as in the FAQs (frequently asked questions). A handout of the presentation is in the handouts tab that can be found in the GoToWebinar tab on the right-hand side of your screen and we will provide a link to the presentation on the Website after the meeting.

Now, we will start the meeting.

California Treasurer Ma, if you would like to say a few words.

>> FIONA MA: Good morning. Welcome. I'm glad you are able to join us for this year's annual webinar to hear about the program's application process and some important program updates.

As chair of California School Finance Authority, I'm keenly aware how important school facility funding is for charter schools, especially during our state's uncertain economic times.

This grant program, established in 2002, provides much needed financial assistance to California's public charter schools with annual facilities rent and lease costs and the State's public charter schools rarely have access to local general obligation proceeds to acquire facilities like district counterparts this program has become a safe haven. Since taking over the program administration in July 2013, CSFA has enacted several regulatory measures to ensure that coveted state dollars are directed to schools that demonstrate the greatest need and are adhering to good governance practices. Through these best practices such as appraisal vetting process for new leases, utilizing a good standing and compliance form for eligibility and ensuring schools are not facing detrimental civil or criminal charges, CSFA has been able to award 737 million to California's high-quality public charter schools. In this funding round alone, the program funded nearly 400 public charter schools serving 185,000 students. The 2021 grant application recently opened April 30th, 2020 and will close June 4th, 2020.

Schools are encouraged to apply to the SB740 program as early as possible. Since converting the application to an online portal, feedback has been overwhelmingly positive. We save school's time and resources and provide assurance that applications are submitted in a timely manner. It is my pleasure to introduce Katrina Johantgen, Executive Director, and co-leads that will provide updated program information. Thank you for attending today's webinar. Be safe.

>> KATRINA JOHANTGEN: Thank you, Treasurer Ma. It is a pleasure to have you. Thank you, Ryan and Ian. It is a pleasure to have you on the call this morning. We know how important the funding source is to charter schools throughout the state of California.

We are happy to have you join and introduce this important webinar. Treasurer Ma mentioned we are encouraging schools to apply early.

We know this is a difficult time as schools transition to online learning and are trying to plan what next year's school looks like and that you will have ongoing facility cost. Again, we encourage schools to apply early. If you have technical issues submitting your application, please reach out to us. We are all still working, some remotely. We are here to help you with any technical issues you are having.

Be mindful there are tabs, and we will get into this in the webinar, that calls for information we probably already have on hand, so be mindful what has been submitted year after year. Ian will touch on regulatory changes, eligibility, and look at application overview.

As many of you have heard, we have been disseminating information about the program being oversubscribed. We will talk about what things look like for lease rent cost versus other costs.

We are looking at data and statistics as well as funding projections and contact information.

Again, welcome to this important webinar. With that, I will turn it over to Ryan and Ian.

>> IAN DAVIS: Thank you very much. I'm Ian Davis and I'm here with Ryan Storey, my co-lead.

Today, we will discuss a few items specifically. We will go over the overview of the program and eligibility, best practices and application overview, as Katrina mentioned. Differences between facility agreement and types of documents to be submitted with those and how they will affect the school's award, data and statistics ongoing about the program, funding projections, and basic contact information if you have questions or concerns regarding your application submission or your award.

To start off, we have been administering the program since 2013. This is a state facility funded grant program. According to the latest Governor's budget, the program receives about \$140 million and last year, received \$137 million. We assist charter schools who demonstrate a need by including eligibility including free and reduced meals and costs associated with leases and rent, information systems, and various other costs are associated with the facility and upkeep. 75% of the school's facility's cost up to school's average daily attendance times \$1,211 for 2021 funding round. I believe I would like now to pass over to Ryan who will speak a little more about eligibility.

>> RYAN STOREY: Thank you, Ian. Hi, everybody. I'm Ryan Storey, the new co-lead and excited to be on the team and to go over eligibility requirements for program funding. The big threshold is that the school population must have at least 55% of students receiving or eligible for free and reduced priced lunches. The school must also be in good standing and no conflicts of interest, we will go into that in a little more detail in future slides.

The school must also have classroom-based instruction per CDE definition and their standard. And an important caveat is these funds are only for reimbursable for costs associated with sites not owned by a school district or county office of education.

If you do operate in a facility that owned by a district or county office of education, do feel free to contact us but you will not be eligible for about rent costs and other costs associated with that site.

Moving on to the next slide here. An additional eligibility caveat. Certain schools obviously don't meet the 55% free and reduced-price lunch threshold and those schools are eligible though, if located in attendance area of an elementary school with at least 55% of its students receiving FRPM and provides preference in admissions to that elementary school. This must be written in the admission policy within the current and approved charter school petition. It doesn't matter if you do it in practice, it has to be in the approved charter. So, if you do not have that in your charter currently, please reach out to your authorizer and get material revision done soon as possible. An example of language satisfactory to this requirement is listed below.

As stated, the handout section has copy of slides we are using and feel free to reach out.

The next slide is more about our best practices. Like we mentioned earlier, the conflict of interest vetting is something to ensure public funds are spent in an ethical and legal way. Funds may not be used for charter school to pay rent, lease or service agreements with those conflict of interests and schools must be in compliance with SB126's government agency transparency rules. The Brown Act, the California Public Records Act, Government Code Section 1090, and the Political Reform Act of 1974 are four caveats that charter schools must comply through SB126.

The legal status questionnaire is a legal disclosure of certain civil or criminal matters. Most of our applicants are familiar with and it is an annual renewal form. Good standing will be brought up in a future slide as the process has been updated a little bit as well as the form.

Regulations, which is a guide to how our application criteria and administration work, that is found on our website. Frequently Asked Questions or FAQs that we will update is available on the side. As this program is annual, lots of the same questions may come up. Feel free to check them out before we provide the updated information.

As I mentioned, this is a little of the updated process for good standing confirmation. As many of you are probably familiar, we would send out a letter to school districts or authorizers to confirm good standing which is either in compliance within the terms of the charter agreement and/or no pending corrected actions or notice of revocation.

The update would be the form to be sent to your authorizer upon receipt of application. If the form is not returned, it is an indication that the school itself is in good standing within the two caveats mentioned above.

If letter is returned, the school is not in good standing with the specific matter checked by the authorizer. If you are not in good standing by time of application, and you are able to get it restored by the end of this fiscal year, the applicant will still be eligible for program funds.

It is very important that schools work with their authorizers to resolving issues as early as possible in proactive way to ensure funding in a timely manner.

All right. I will pass the baton back to Ian to go over the application and overview.

>> IAN DAVIS: Thanks so much, Ryan. Our application is online, and we ask they be submitted through the online application process. The application was made available April 30th and the deadline for this application is June 4th, 2020, at 5:00 p.m., at which time the application will close, and you will no longer be able to submit an application.

We would like you to send us any issues you have regarding technical issues as early as possible and ask you start the application as soon as possible to avoid any complications as late applications. In the past, schools have been found ineligible for reimbursement. We will have a second application round in October for schools who recently became eligible for the program or are a first-time charter school. That application will be made available in mid-September and will be available through October 15th and due at 5:00 p.m. on October 15th.

So, if you are having any issues regarding your application, again, we ask you send it directly to us. We will try to get you through the technical issues.

For whatever reason you don't believe you will be able to meet the June 4th deadline, please let us know as early as possible so we can help you with that process.

So, a couple of steps for success when completing the application. We ask you compile all of the documents you will need for the application before you start it. Some of the documents will include the current file charter agreement and approved authorize user board adoption of that charter agreement and list of the school's board members and a legal status questionnaire and certification signature. We will accept DocuSign if you need to submit that way. No need to submit the wet signature version or e-mail it to us. It can be directed through the online application and there is a cap for the size of each file. We ask that the file be saved as a PDF. If your file exceeds the cap, simply attach a scanned copy with a note saying you are sending it by e-mail. Send the actual file to us at SB740@treasurer.ca.gov. A link to the e-mail will be provided in the slides.

There is one other thing I want to mention. Ah, yes. Katrina had mentioned this. Several of the documents have been submitted to us in the past. If you would like to check if we have these documents, you certainly can. There is no need to resubmit them to the application and application has the availability for you to indicate whether or not the files are already on file with us. If that is the case, no need to resubmit these documents to us. If you would like us to check, certainly e-mail us at any time and we can verify we still have the documents on file. Legal status certification will have to be re-signed and resubmitted though.

Along with your application you may be submitting request for reimbursement of lease cost if this is a lease not already on file with us or if there is an amendment to the lease. We ask the lease be sent to us as a fully executed document and that each lease be saved separately and submitted separately.

Each document should be saved with the facility address and if possible, the terms that lease will be effective. Now, I would like to discuss a little more about the differences between a multi-year and new facility agreement and what documents you may need to award such a facility as well as how the award will be broken down based on what type of lease is being reimbursed.

For a new facility agreement is basically an agreement that the school or the applicant is moving to a new site or there is additional square footage on the lease agreement. Or that there is a renewal from

last year's agreement. The exception to this is that if it is an option to renew, then it is generally not considered a new agreement.

That means if the lease itself we have on file with us says at the end of the term there is an option to renew and lessor or tenant agree to extend the lease, we will not consider that a new facility agreement and no need to submit appraisals we will discuss later and generally all agreements are considered multi-year agreements. I will pass it to Ryan in case he has anything to add to new facility agreements as well as discussing the next slide. Ryan, you may be on mute.

>> RYAN STOREY: I was. It notified me. Yes. I don't have anything to add other than what do we do with new facility agreements when you receive them? First thing we do, of course, is verify the rent in the agreements is at or below what is fair market value and done through an appraisal on file in last three fiscal years. If you have a new facility agreement and appraisal on file with us in the last three fiscal years, you can use it for this funding round.

If you don't have an appraisal on file entering a new facility agreement now, you would need to resubmit or submit an appraisal. That appraisal would be good for the next three fiscal years. Again, to clarify it is for on-file appraisals.

List of appraisers can be found at the Board of Real Estate Appraisers. How we determine reimbursable rent, or how we determine awards, is the fair market determination or rent agreement, whichever is less. Another type of agreement for the program is multi-year agreement for long term lease or leases with option to renew as stated in the agreement that we mentioned beforehand.

Reimbursable rent is based on either the annual COLA cap, from the Department of Finance, or the rent stated in the agreement, whichever is less. You can see last three fiscal years COLA provided by Department of Finance and you'll find the amount of award per ADA from legislation. You can see those are the two used for multi-year agreements.

Let's go ahead and look over what a lifespan of a multi-year agreement would look like in this program. In 2017-18, school moves into new site and rent is \$100,000 per year. They do a facility appraisal as I mentioned before, and fair market is right above what the rent is. Rent is the lower number, so we use that for reimbursable rent. Again, important to note when we do award calculation, it is 75% of reimbursable rent. That is not award total there, but total to use lesser than of 75% or ADA cap. We will go into that again as Ian talks about funding calculation.

Next year, with same lease on file, which is a continuation of the term, rent goes up a little, by \$5,000, and the COLA cap from Department of Finance is 2.71%. Based on that number last year's reimbursable rent new COLA cap rent would be \$102,000, just about that.

That number being lower than rent in the lease would now become the reimbursable rent there that is the amount that we did the 75% calculation on.

Next year, similar situation, rent goes up a little above \$5,000 but the COLA cap is higher and lesser number that is being used in the reimbursable rent.

Next year is 2020-21. This year, the school renewed lease and added square footage. No. 1, you need to get an appraisal of fair market value.

Rent went up to \$115,000 and appraisal came in a little above and the actual rent amount is the new reimbursable rent amount used to calculate the award. If you have questions about this, we can answer them in FAQs or e-mail. Again, this is a lifespan of a hypothetical school in a multi-year agreement.

So, the appraisal process itself is newer in the lifespan of the program and let me explain how the process would start when we need to request an independent appraisal for us to meet eligibility. We don't want it going on to the extent we won't be able to reimburse any funds. Lease is one of the three caveats we have for the facility agreement and an independent appraisal is on file good for 3 years; or not on file and need to get new one on file. Contents of appraisal here are specific and set by the Uniform Standards of Professional Appraisal Practice. They are experts on appraisal. They know what appraisal processes are approved by the state for this.

On that note, we will go to the next slide to find the people that will follow the uniform standard. There is a link here that takes you to Bureau of Real Estate Appraisers and the search engine. Below is a screenshot of it. Fill out only the two fields unless you have somebody in mind specifically.

It would be mailing city, that is city which charter school is located and for the license level. click on the drop down and selected AG. That is for your certified general licensed appraiser. Go ahead and search those. Select find the best appraiser for you and they will be able to produce an appraisal that will be able to meet standards for CSFA to use for your SB740 award. Now, I would like to pass it back to Ian to talk more about data and statistics of the program.

>> IAN DAVIS: Thank you very much, Ryan. We have analyzed information we have received, and majority of awardees are meeting the 55% eligibility criteria on their own and good chance to show a great deal of funds are going directly to students most in need.

We have seen a great deal of growth in the program over the years as indicated in the two charts. First one shows amount of funding that has gone out to the program in the last 3 years since 17-18. We have been oversubscribed and more schools have requested reimbursement of funds than we have available to fund them.

We have seen great increase in amount of awards and amount of schools that are participating in the program.

As well as we have seen a great increase in lease costs over the years and definitely a great desire to increase the demand for the program as well as the availability of funds.

We have been working with stakeholders to provide us to work on growing out this program as much as possible to meet this demand.

Unfortunately, for the 2019-20 funding round and the 2021 funding round, it appears that the program will be oversubscribed. That is looking now we received \$136 million in allocation funds and demands for lease costs alone is \$144 million giving an \$8 million deficit. The least portion of each awardee will be prorated at about 94% and there will be no remaining funds for other costs.

For those schools who are or don't have any lease costs and not requesting reimbursement of costs, we will be unable to reimburse your other costs at this time.

To give you a sense how that breakdown will work, this is a basic calculation for how the program will be allocating funds this year. During the 20-21 funding round, the school had \$400,000 in lease costs and unable to evaluate any of their other costs, didn't have enough funding to reimburse those costs lease portion of the award must come first. At this point we are calculating the award itself and will be evaluating 75% of the lease costs as well as the amount per unit of ADA. You can see 75% of the lease costs is 300,000.

225 classroom-based students residing in eligible facilities, meaning facilities that are not district or county office of education owned.

And these students, they are in the amount of per unit ADA was \$272,000 DLRSZ.

We will take the lesser of the dollars to 75% to ADA amount to award at the school. The school award was capped under ADA. That is a normal scenario. In this case, we are oversubscribed and will cap, and we are approximating that this pro-rata rate for 20-21 funding round will be around 90%. The school will receive \$225,000 for the year. This is the initial apportionment 50% of the total award, second apportionment is 25% of the award. We generate facility costs by the school, and they may submit additional lease costs they incurred or maybe a new facility that they moved into.

We will re-evaluate the award and reimburse the remaining balance owed to the school. If there are no changes to school's award amount, they receive same amount they received in second apportionment. That completes the entire award for the year. Sense about timing, initial award is generally awarded in October and November and second award goes out in March.

The third award goes out in August. Our accounting team has been a little overburdened at this time. They have been slowly getting out the funds.

If you have any questions about your award, please feel free to e-mail me. I do know that many schools have not received their second apportionment yet. I confirmed with accounting team, it has been sent to state controller's office and awards should be coming within the next couple of weeks.

To speed up this process, we are asking schools to submit payee data records. Several schools submitted these forms. We have them on file. Unless you are receiving a request for one, there is no need to submit another.

Payee data records, known as STD204, will allow our accounting department to process awards through FISCAL to help speed up the awarding process. The forms can be found on our website or on the DGS's Website in the link provided below. As well as when you are filling out the form, please ensure your business name matches the employer identification number.

If your school goes by a different name than what is indicated by your employee identification number, please complete it as stated here. I'll move my mouse right here.

You will indicate the employer identification name first and doing business as and the school's name itself to ensure that the award goes directly to the school not just to the business name in general so you will have a better sense when you receive these checks you will have a sense which school this was for.

Additionally, if you have changes to the name of the school or mailing address not mailing address but as well as employer identification number, please submit to us a new pay data record.

If you are a new applicant for the first-time receiving funds from the California School Finance Authority, feel free to submit a new payee data record to make sure they are filled out appropriately and get you all set up in FISCAL.

And right now, we will close out the meeting. Ryan, if you have anything to add?

>> RYAN STOREY: No. I want to thank everybody so much. The information provided right here is the best way to contact us, which is through e-mail and Katrina, the Executive Director her, e-mail is there and websites for programs and contact information is listed below as well. As we mentioned, if you have questions, please e-mail the address below, SB740@treasurer.ca.gov, or e-mail directly from the contact e-mail from the previous page. More specific questions will be answered directly and questions we receive a good amount of will be put into FAQs linked above. We will send out a Listserv when we update those. If you're not on the Listserv, please sign up. More specific questions will take a little longer, given the fact we will update the general ones first and we will get back to them. Questions related to SB126 and conflict of interest should be directed to the Fair Political Practices Commission or your legal council would be best practice for you to make sure your board and your actions are following SB126 and no conflict of interest.

On that note, I want to say thank you so much. I will hand it back to Katrina to give a sign off and any other important information. Sorry. I meant Ian.

>> IAN DAVIS: No problem. Thank you very much, everyone, for participating again. Again, this webinar will be posted on the website within a week with a transcript as well as we will update FAQs to align with questions that we received in today's meeting.

If your question is more specific, we will e-mail you directly. Thank you, again, everyone, for joining. Have a wonderful day.