

MEMORANDUM

Date: May 4, 2020

Staff Summary No. 5

To: Members, California School Finance Authority

From: Katrina M. Johantgen, Executive Director

Re: Resolution No. 20-10: Approving Delegation of Authority to the Executive Director to Submit Emergency Regulations to the Office of Administrative Law Due to the COVID-19 Crisis

On March 4, 2020, Governor Gavin Newsom proclaimed a State of Emergency (SOE) related to the spread and prevention of COVID-19 (Coronavirus Disease 2019). This SOE will last in perpetuity until it is terminated by the Governor. During this SOE, all public schools have suspended classroom-based instruction, and per the Governor, all public schools are expected to remain closed for the remainder of the 2019-20 school year. This crisis has left many of the California School Finance Authority's (Authority) awardees, as well as the entire state's public school system, in a state of uncertainty as concerns of an expected financial fallout loom.

Pursuant to Education Code Section 17175(b) of the California School Finance Authority (Authority) Act (Act), *the authority may delegate to the executive director or any other official or employee of the authority any powers and duties that the authority deems proper, including, but not limited to, the power to enter into contracts on behalf of the authority.* Section 17180(a) of the Act authorizes the authority to *adopt bylaws for regulations of its affairs and the conduct of its business.*

With Board approval of this emergency delegation, the Authority will be able to add, remove, or edit regulations in order to aid or provide relief to schools, districts, and county offices of education effected by COVID-19 in the swiftest method possible. The Executive Director shall report to the board any regulations or bylaws approved and/or adopted between scheduled Authority meetings. Staff anticipates small changes that allow the Authority to provide aid and relief during this unprecedented period of time. For example, the first anticipated amendment relates to the prescribed loan terms in the Charter School Revolving Loan Program (RLF). In 2017, the Authority added regulations that limited RLF loan terms to awardee charter terms instead of the maximum five years, as a mechanism to mitigate defaults. With the new delegation of power, the Authority would amend regulations to allow five-year repayment terms, regardless of the years remaining in the charter term, which will reduce annual payments.

Staff also is looking into temporary changes to the Charter School Facility Grant Program and the Charter School Facilities Program regulations related to payment deferrals, etc. Staff also is considering changes to its other programs that are federally-funded. We have requested a waiver to allow the use of our credit enhancement funds to enhance working capital financings rather than long-term facility loans. These changes will allow the Authority to temporarily alleviate cash-flow constraints and redeploy grant funds to permanent facility funding once the state's economy recovers. These examples are not an exhaustive list, and other ideas may manifest as we continue discussing financing needs with stakeholders and constituents.

Staff recommends that the members adopt Resolution 20-10, approving delegation of authority to the Executive Director to submit emergency regulations to the Office of Administrative Law due to the COVID-19 crisis.