

**MEETING: "SB 740 Program Update"**

**DATE: Tuesday, October 30, 2018**

**TIME: 10:00 - 11:00 AM PST**

**Slide 1**

>> Good morning everyone. Welcome to the "SB 740 Webinar" regarding recent updates to the SB740 program. I want to go over some housekeeping options. If you have any technical issues please contact GoToWebinar at (877) 582-7011 or the website <https://support.logmeininc.com/gotowebinar>. Live captioning is available at the website here and we are going to be providing transcripts and a recording of the webinar within a week. If you have any questions, you can log them in the chat box. We will respond to a few but the majority, we will respond after the webinar and update the Frequently Asked Questions based on the questions that we have received.

Katrina, do you want to say anything?

>> I just want to thank Ian, and Anne, and thank you for joining this webinar. SB 740 is a program that changes annually subject to changes through the budget process. Thank you for your patience as we implement these changes under the 2018-19 funding round. I remind everyone to sign up for the List Serve so you can receive any changes to the program. During the public comment period on our regulations, make sure that you are weighing in during that process, as well. As Ian said, any follow-up information from this webinar will be provided after the webinar. And thanks Ian and Anne.

**Slide 2**

>> Again, my name is Ian Davis, Program Co-Lead of the SB 740 Program. I'm joined by Anne Osborne.

### **Slide 3**

We are going to discuss Agenda, Reimbursable Facility Costs, and the Appraisal Cap. The 2017-18 True Up reimbursements and the Other Costs Pro Rated as well as the timing of the 2017-18 disbursements. The 2018-19 initial apportionment, are being reviewed, and we will discuss 2018-19 appraisals. We are going to talk about the preference in admissions and there has been some changes. And later on we will discuss the contact information.

### **Slide 4**

There are two types of Reimbursable Facility Costs because of COLA. There is the multi-year lease which is COLA Capped and the New Facility Agreement which really generates the appraisal is Appraisal Cap. The 2017-18 COLA Cap is at 1.56% and the 2018-19 COLA Cap is at 2.71%.

### **Slide 5**

>> Going into what this COLA Cap and Appraisal Cap means. If you have a multi-year lease, we have to cap the reimbursable rent cost at the annual COLA. We received this COLA in the prior year, around March. Any webinar or posting of the application, we are going to be able to show you what the next year's COLA Cap will be. We were asked to begin this process retroactively, so for the 2017-18 funding round, all schools lease costs are either capped by COLA or by an appraisal.

For example, (*Multiyear Lease*) in 2016-17 the schools lease was \$100,000 in 2017-18 the school's rent increased by \$105,000. The COLA Cap as compared to the previous year caps the reimbursable rent at \$101,000 this is what will be included in the schools award calculation and will be applied to 75% of the facility costs. During the 2018-19 funding round this lease continues to carry on there are no significant changes to the

lease, this maybe a 20 year lease, this schools rent increase to 110,000 but the reimbursable rent only increased by 2.71%,and that 2.71% is being applied to prior years reimbursable rent which was \$101,000. We were able to apply 2.71% to the \$101,000 which equals \$104,000. This is what is included in the school's award calculation for 18-19 and we would be able to award 75% of \$104,000 up to the schools Average Daily Attendance times 1147. So New Facility Agreement we will be going over what a New Facility Agreement is in the next slide.

In this example,(*New Facility Agreement*) this school maybe moved to a new site or a brand-new school and didn't have a 2016-17 lease. This lease, we would request an appraisal, and it comes back at saying the rent the school is requesting it is at or below Fair Market Rent, we are able to reimburse the full \$105,000. The following year the school stays in the same lease there are no major changes, this is another 20-year lease or 5-year lease, we were able to increase the reimbursable rent by 2.71% this is compared to the \$105,000. This is an increase of 2.71 % increase on the \$105,000 from the previous year. If you have any questions about this process, you can certainly log them into the chat box, but the majority we are going to reach afterwards. This slide and the presentation itself is going to be available on our website soon.

### **Slide 6**

Let's talk about a New Facility Agreement. There are three things that qualify for a New Facility Agreement. A rental or lease agreement for a facility not previously occupied by the charter school. An example of this is if a school has moved. Second, a rental or lease agreement that includes additional square-footage, not included in the previous year's agreement. An example of this could be if the schools added new modules.

There has to be a change in the actual site to generate an actual appraisal. And the last one, a new agreement for existing facilities or square-footage when the existing lease is up for renewal or expired. The Authority is going to let you know if you are going to be needing an appraisal. If your lease expires or renews, it will be an appraisal-type item.

### **Slide 7**

Reimbursable facility cost for an appraisal. Again, this is a new item, we thought it would be helpful to let the schools know what actually needs to be in the appraisal. Again, the applicant's eligibility is determined by whether one or more of the new facilities is determined by appraisal. The Authority is going to let you know if you need an independent appraisal, so we will be contacting you. There are six things need to happen. One it needs to be a certified Appraiser. Second, it cannot be a Related Party. The third, is the "Intended Client" should be the charter school. The fourth, is that the User shall be the California School Finance Authority. The fifth, provide a Fair Market Rent analysis. The last thing is it must be certified using the language in the USPAP.

### **Slide 8**

So, where can you find some appraisals or appraiser? The Bureau of Real Estate Appraisers actually provides a search engine for local certified general licensed appraisers, you can go to this website, we will be providing this link as well in our Frequently Asked Questions just make sure that you select license Level AG, as that is the license level for Certified General Appraiser. The Fair Market Rent that the appraiser is being provided in the appraisal should be the rent or lease cost at the time that the appraisal was conducted. This will be going towards the 2018-19 funding round

and future funding rounds. 17-18 was the first year that we were asked to do this, so we had to do it retroactively. For all future years, we will be requesting appraisals during the initial apportionment and not at the end. So that way the schools can provide an appraisal during the time they are actually paying rent.

### **Slide 9**

It does appear that the 2017-18 funding round is oversubscribed. This is a rough estimation of the funds needed for the Program. Recent changes to the Education Code now states that lease cost are going to be fully awarded. Whereas previously, if we were oversubscribed, the entire award was pro-rated, we are just going to pro-rate the Other Costs. If your award only includes Lease Costs, you are going to be fully pro-rated. If you have Other Costs in your award, then just that portion of the award will be pro-rated.

### **Slide 10**

We are going to go over later on what a school's award would look like if it includes Other Costs during a pro-rated year, which is 2017-18. As an example of how the proration is going to affect the Other Costs, we first have to establish all the funds available and then the percentage of the remaining funds available as compared to the funds that are available. First, we are going to award all of the Lease Costs. In this example (previous slide), it looks like we are going to need \$116 million to award all of the Lease Costs. And the remaining funds left is roughly about 16 -- well, I have to do some rough math here. Any ways suffice to say, in this example (Slide 10), we are going to provide that amount that we need probably in November after the schools have had a chance to review their Other Costs. In this example, the school requests \$40,000

in Other Costs. We first determined there lease apportionment award by established their ADA allows them to get \$125,000, 75% of there lease costs is \$100,000 and they have a remaining balance of \$25,000 left to award. Their pro-rate would be 20,000. So, we take 80% of the 25,000 remaining and that's the school's total award. Which is 75% of the Lease Costs, plus, the pro-rated Other Costs, which is the \$20,000.

### **Slide 11**

For timing, we are currently reimbursing funds to lease only schools, as well as we are disbursing the lease only portion of the school's award to all schools that we have received their appraisal and all other documentation that we have requested. We are going to provide the schools 30 days to review the documentation that we sent them.

This is going to be a Notice of Eligible Facility Cost. This is basically a form that I will be showing later on, that outlines the sites that we included in the award and the total facility cost, as well as the other costs that we found eligible for the Program. The school is going to have 30 days to review the information and make any changes necessary by emailing us at [sb740@treasurer.ca.gov](mailto:sb740@treasurer.ca.gov). After all schools have had an opportunity to review and commented on there award, we will be able to determine the amount of funds needed for Other Costs and therefore able to determine the amount of pro-rata for Other Costs. A fourth reimbursement will go out to those schools with Other Costs and it will be just the other cost portion of their award.

Again, we have requested appraisals from all of our 2017-18 schools with New Facility Agreements. That deadline was set for October 31st, unless the school requested additional time. If you need additional time, please contact us at [sb740@treasurer.ca.gov](mailto:sb740@treasurer.ca.gov). So we can review the schools information and provide an

extension if warranted.

## **Slide 12**

A new change to the Program is this FI\$CAL form, called FI\$CAL form 204 Form. Basically the State Controllers Office is using this form to determine the payee or award recipient name, mailing address and FEIN. This is something every awardee will need and this goes across all of our programs, not just the SB740 program. We have received several of these forms and we have gone out and requested it from schools as well as this form is already on file with FI\$CAL because this school was already involved with other programs that was requiring it. We are going over our records right now to make sure that we have the most up-to-date information. Suffice to say, if the school is changing their mailing address or their school name or there has been a change in their structure and they have a new FEIN, they need to fill out a new 204 Form and send it to us, so that all future awards are sent to the right mailing address and of course, the correct school name. We are making sure that the school's name matches their FEIN record and if it is different, you need to make sure that you include the FEIN name and you can say, "DBA and school name".

In this example, the school is under an FEIN an incorporated FEIN but the school goes by ABC Charter School. They need to list the school as ABC Charter, Inc., doing business as ABC Charter School. The same thing would apply if they are under a parent organization. If they are under a large charter management organization with 10 charter schools, they need to put the charter's management's organization name doing business as, and that's the specific charter school's name. Each school under the organization needs to submit one of these 204 forms to receive funds under the

programs.

### **Slide 13**

To recap the 2017-18 Award calculation. This is pretty much what an award calculation will look like when you receive it. In this example, the school had two sites which were eligible. One site was COLA capped and the other was capped by its fair market rent by the appraisal. The total lease costs were \$250,000 with 75% of that being \$187,000, We review the ADA for the year and apply \$1,117 per unit of ADA. The minimum of the two in this case is the lease cost. The lease only portion of the school's award is \$187,000 and the other cost portion has yet to be determined because we first, need the school to review this document.

### **Slide 14**

This is a document that is going to be sent to you if you have Other Costs. And it is basically, a way for you to appeal our award determination or make corrections if needed. Just review the documentation and if everything is fine, you can email us back, and say, fine. But, you don't even need to email us back because we are going to base the award on this information if you have no changes to make. In this case, the school's eligibility cost is \$35,000, that was not included in the previous award calculation because we have yet to award that portion of the award. We first need to determine if this is really the schools eligible other facility costs. Maybe, some it didn't fit in the regulations for the eligible facility costs. You ask you to review this information when it is sent to you, you have 30 days to respond to it from the date it's received. And then, after 30 days when all the schools has reviewed this we will be able to determine the amount of funds the we will need for the Other Costs portions and determine the



school's pro-rated Other Costs award and we will send out a reimbursement form afterwards. Hopefully, no later than December.

### **Slide 15**

There have been a lot of good questions and again, we are going to be answering these after the webinar. I want to thank you for those questions that we have received.

Let's talk about 2018-19, the Initial Apportionment. Right now, we are currently reviewing all of the 2018-19 applications and we are looking to send out award notices in November, so that will be shortly. Again, we are going to be asking the 2018-19 schools for their appraisals. And note, that is going to be going out shortly. We hope these can be done within 30 days of the request. If the school has entered into a New Facility Agreement for the fiscal year, again, that appraisal will be submitted shortly. If you already know that you fall into this criteria of a New Facility Agreement, you can certainly start working on that appraisal. It does take a while, as we have some experience with schools who have gone through the process. If you know that you are going to need one, there's no reason to delay. You can go ahead and start on that.

### **Slide 16**

Our last category that we're going to be talking about today is Preference in Admissions. We have talked about before, this is if a school is not at 55%, and the school is relying on their local elementary school's FRPM to qualify for SB740 funding. What has changed is now the Authority will accept evidence in three different fashions. The first one, is the evidence of the charter petition. This is if your school renewed its charter petition after January 1, 2018. If it is still current, what we would need is a resolution adopted by the charter schools governing Board or information on the

school's website. And those schools that needed to fulfill this requirement have been notified and an email was sent out to them, so if you have any questions you can certainly contact [sb740@treasurer.ca.gov](mailto:sb740@treasurer.ca.gov).

The last one is the language that we are looking to have. This is suggested language. Again, this is just for the schools that are going to be renewing their charters going forward. We would like to see some type of language of the students who are currently enrolled in or who reside in the elementary school attendance area of the Public elementary school in which the Charter School is located for the purposes of the Charter School Grant Program. The charter school doesn't have to list the name of the elementary school. We want to let you know that this generic language is something that they can use.

#### **Slide 17**

There was a change in the Education Code Section 47605(d)2(B) and it was effective on January 1, 2018. So again, what that said is the preference in admission language must be approved by the chartering authority at a public meeting. That's something new and something that we are having to require all charter schools that are relying on their local elementary to have it in their charter petition. As well as proof, it was approved by their chartering authority.

#### **Slide 18**

The Frequently Asked Questions, again, are available on our website. The schools can also contact us at [sb740@treasurer.ca.gov](mailto:sb740@treasurer.ca.gov).

#### **Slide 19**

>> We have a full staff of analysts that are working all the time on your application. If

you receive emails from them, please respond, so we can process your awards as soon as possible. Thank you for your questions, we are going to be responding to them shortly, and sending out the information to all of the participants and posting them on our website for all to review. The recording of this webinar will be posted on our website shortly. Right after this meeting, we are going to be posting the slides and we are going to be able to post the recording as soon as we transcribed the recording. If you have any questions, please send them to [sb740@treasurer.ca.gov](mailto:sb740@treasurer.ca.gov). And thank you again for participating.