

# Charter School Revolving Loan Fund Program- 2019-20 Funding Round

Wednesday, January 22, 2020

10:00 a.m. – 11:00p.m. PST

\* \* \*

[Webinar begins 10:00 a.m.]

>> KATRINA JOHANTGEN: Good morning. January 22, 2020. It's 10:00 a.m. joining the California School Finance Authority webinar, and we will hear about histories to the problem as well as funding round and 2019-20 funding round. This webinar will be posted on the Website for future reference and excited to launch the 7th round of Charter School Revolving Loan Fund for new schools, and to date we have disbursed 52 million to 200 charter schools in California. I'm joined by Steven Theuring, and Jeffery Martin is also participating. We are available to answer questions following today's webinar. With that, I would like to turn it to Steven.

>> STEVEN THEURING: Awesome. Thanks so much, Katrina.

>> KATRINA JOHANTGEN: You are welcome.

>> STEVEN THEURING: I'm the analyst for the program. It is a little after 10 now. Everybody that has dialed in is probably dialed in. We will get to housekeeping items.

For technical issues contact go to webinar or go to the support Website and live captioning is available at the StreamText Website and a recording of this presentation and PowerPoint will be available on the Website hopefully later this week. If you missed parts of the webinar or need information regarding this, you will be able to download the information from the Website. We will send out a list serve once those are posted.

All right. So introductions, Katrina introduced herself as executive director for CSFA and has been here quite some time and built CSFA authority now to one of the leading, I think, departments for charter financing grants, and I'm Steven Theuring and the lead analyst. You can submit questions during the meeting in the question box or e-mail us after the webinar at [CSRLF@treasurer.ca.gov](mailto:CSRLF@treasurer.ca.gov) that you see at the bottom of the slide. If we receive questions using the question box we will respond to them at the end of the presentation and all questions will be answered after the webinar. Some are not school-specific will be posted to frequently asked questions and if that is updated it will be posted to the Website as well. All right. The agenda, first, is me going over the program overview, and we will discuss the eligibility of the program. We will do funding round updates and how much money is available and for how many schools, and we will go through the application, and we have screenshots of everyone and every page on the application. And how to submit your application. What to expect during the review process and what to expect during the funding process, and then you will have all our contact info at the end.

So overview, effective July 1, 2013, assembly people 36 and authorize the transfer of the administration Charter School Revolving Loan Fund from California Department of Education to California State Treasurer's Office, California School Finance Authority. CSRLF is state funded program loans up to 250,000 to new charter schools or charter schools within their first term. Since the authority began accepting applications, 6 funding rounds have been completed and on 7th resulting in 52,000, 215 charter schools interest rates in Pooled Money Investment Account and known as PMIA and known as disbursement funds to charter school. Yield for 2018-19 was 2.266%. As of December 19th, rate has decreased to 2.004% and keep track of the rates on the State Treasurer's Website under Pooled Money Investment Website and because of treasury lowering interest rates as a whole, there was an overall increase in the percentage. Now, over the last year because of the decrease at the FAD rate, rate for PMIA has also decreased. On average, most of the schools have realized about roughly 2% interest on their own.

All right. Overview, per loan uses, new California charter schools experienced cash deficits in the first few months in application because of delay. This is a program vital to success of many charter schools because provides them start-up cash and capital and funding can be used for all new expenses under charter school teacher salaries, curriculum, books, furniture, and there is no other requirements for using the funds and fast facts. CSLF is the only program and allows schools to use funds for expenses other

than facilities. All other grants and financing and bonds have to deal with physical structures and allows you to do expense for opening a new school. All right.

We will talk about eligibility. You can find the information in further detail in program regulations that are listed on our Website, and the applicant will be eligible to apply for a loan if the following conditions are met. The application is submitted by charter school or chartering authority and charter school established pursuant to education code 4600 and so on and for schools in operation an approved charter has been awarded and is in place and is current at the time of application.

In the case of a first-year charter school, the applicant will submit evidence that charter petition has been submitted to chartering authority for approval and anticipates beginning operation in the following fiscal year and schools that plan to open in 2021 will not be eligible for funding.

What we are looking for in this case is a letter from the charter authorizer saying they accepted charter petition and/or board minutes or board agenda showing the charter petition will be presented to the authorizer for approval. Those are all fine. All right. Continued eligibility, if the applicant is a charter school applying on its own behalf, charter school incorporated charter school as demonstrated by Articles of Incorporation will be submitted with charter application and not conversion from existing public school and charter school has not had charter renewed as of the date of submission of the application. If you are looking, your first charter term within first three to five years,

you are good to go as long as you have not re-upped your charter petition, you are still eligible under the program.

Also, the school has no issues. If they have legal issues, they will be refused by legal counsel to determine that the school is eligible for the program.

All right. Continued eligibility. A charter school may receive multiple loans. We had a number of schools that have done this and in no instance may a charter school receive more than 250,000 in program loans over the lifetime of the charter school. A couple schools came in for \$100,000 loan and couple years later for 150,000. You can max out at 250,000 under the program and charter school and affiliated organization if applicable are in compliance with programs administered by the authority. This means under incentives or SB40 program we run. If school is not in compliance with the particular programs such as owing funds back or not in good standing, it might affect your eligibility under this program until the other issues regarding the other programs are remedied. Charter schools is in good standing with charter authority and in compliance with terms of charters that is more in regard to priority 2 schools that have already opened and those that are just opening. Now, we can assume that you are under good standing because you are approved by your authorizer to open the school in the first place.

Also, authorities shall determine whether the application is complete. If the authority determines additional information is needed, we can -- we shall notify

applicant and request such information. And if applicant fails to provide information as requested, we can find the school ineligible for a program run.

All right. Funding round updates.

Last year's 2018-19 funding round, we have roughly about 10.4 million available and total of 30 applicants for request of 3.75 million in funding after eligibility rule and several schools. This happens every year. Several schools went through applications and awarded up 25 loans totaling 2.5 million. This year, this funding round because of the undersubscription from last year, we have approximately 14.5 million to fund 57 schools at max for \$250,000. We haven't been awarding 250,000 to all schools due to the charter term that is only available for the loan repayment. If charter school has three years left, they will max out loan for three years remaining on that term. To help limit future people -- disbursement processes to the program including attendance monitoring and incremental disbursement of awards. What we are doing now is making sure that the school is meeting their EDA enrollment projections that they are submitting to the authority when applying to the program, and we do at the first of the year and October 20th day certification letter.

Then we will do it again subsequently with P1 certification that is done in February with CDE's data.

This year's 19-20 funding round schools applying for the program must be either opening in the fall of 2020 or are already in operation within their first charter term.

Priority of funds is given to charter schools opening this fall that are considered critical 1 priority schools if under the authority and, again, there is approximately 14.4 million available for funding and not seeing probably won't be oversubscription priority 2 schools will probably be vetted as well as P1 schools this year.

All right. Now for the application, this is the third year using our online application for the program and online loan application and program regulations and FAQs are all available on the Website at the link above. We may update FAQs with any questions we receive after this webinar. If we get a question for the program as a whole and not school-specific, we might be able to add to the FAQs. And most questions we end up getting are typically this is a situation with our school. Are we eligible? What do we have to do? Staff or myself or Jeff will reach out to you after this presentation or reach out to you individually regarding your question.

We will walk through each page of the online application.

All right. This first one, this is the login page. All applicants will need to create a login with a password and created confirmation e-mail will be sent to your e-mail to verify to register the account. Look out for the e-mail. People in the past said they didn't get the e-mail. Look in your spam folder or might be sent somewhere else in your e-mail. Look around for it. Once verified, you may sign-in and start the application and bottom of the login page you will see a register link. Select this link to create your login. Signed in only available application link is charter school revolving 1 loan program. Login

password and you are brought to a second page behind it. It shows grant programs that have online application and RLF is only one open right now, so it will have a blue underline. You can actually click on that link in order to start the new application.

All right. So the welcome page, after logging in and selecting the open application link, you will be directed to the first page of the online app.

Let's see. Basically, what this does is it gives you, you know, statutes and regulations and gives you some reminders as to what is acceptable when submitting documents and PDFs that are needed under the application or as long as or what you need to fill in for certain data fields. Okay. The applicant may save their application by clicking save and continue at the end of each page. If you log off, which is the top-right corner you can't see on this, but top-right corner of application or continue application process after you started it you have to sign into application. At this point, all pending applications will display select application to 10 or review or edit, and it will load. Say you got all of the data fields in the first page is kind of done and you need to collect certain documents needed for the application, you can log back in and log back out and put in those attachments as needed.

You won't be -- once you hit the submit button, you won't be able to edit review. Until you can do that, you can edit and change your application as many times as you feel like you need to.

The applicant must submit answers for each field. Each upload must be a PDF file type and no more than 5,000 kilobytes, which is a limit set by our IT department. Most of the time your charter petitions might be over 5,000 kilobytes. If that is the case, e-mail myself or Jeff directly or CSRLF e-mail and save that petition that way and submit with application when it is submitted. A common complaint we can't get around. The charter petition is too large, send us an e-mail, and we will get it so it is attached to your application. The applicant must click the finished checkbox at the bottom of each page to submit answers. Application guidance applicant may review program regulations and FAQs listed on CSRLF Website or contact us at our number and e-mail us at CSRLF@treasurer.ca.gov e-mail and Jeff or I will answer you directly. You can save and log out. Soon as you hit submit, that is it. We -- you can reach out to staff. If you have any modifications or anything that you know was an error, we can fix it on our end as well. Make sure it is submitted before the deadline. To be eligible for funding, you must submit application by due date February 28th, 2020, at exactly 5:00 p.m. when the link will become dead and you won't be able to submit anything after that point.

If you are applying on behalf of the school opening fall 2020 and doesn't have a new CDS code, you select new CDS code, submit application link highlighted at bottom of the slide if school has CDS code or is open put the code into the box and continue. We have it programmed to pull all of your information from CDE if it is available.

If you put in that CDS code, it will make your life a lot easier when you continue with the second page of the application, which is what we are doing right now.

So this is the second page and where you have to enter in all of the data. New CDS versus existing CDS. Whether the charter school is in operation or in its planning year, provide an answer for each. You need everything in here. New CDS, input all data as available. Put something in there saying pending CDE approval and what month you are expecting it.

The existing CDS, the schools that already have a CDS code and/or are already open. Some of that, as I told you, this information will self-populate from department of California education Website. All you have to do is fill out the remaining information. For example, okay. Loan amount, no more than 250,000. If school is to receive a partial or were in the past, again, they can only request the balance of that. For example, if you got approved for \$100,000 loan 2 years ago and coming back in for 150,000, you need to put in there 150,000 not 250. Loan repayment periods can be 1 to 5 years and the authority will consider the term of the charter as well as the amount of the loan in establishing the repayment period.

The loan term will not exceed the length of the charter's approved charter term.

For example, the school just received their charter for five years, expiring in June 2025. CSA will only award a loan up to five years since loan repayment won't begin until the subsequent fall of 2021.

Charter school information. Looking for new school answer for each field we are looking for. If you don't have an answer yet, that is okay for the following terms. Most of these will be the charter number, CDS code physical address charter approval date and approved charter term and again put in what is projected for those. Charter number and CDS code, let us know where in the process you are with CDC and when you expect to have [audio breaking up]. So you can provide the projection as to where you think your school will be located as well as the terms of the lease if you have negotiations going with a property manager or something of that nature. If you can forward that information to us when you apply, it would be great and very helpful for us. Charter approval date and approved charter term. Again, you will get those once the charter petition has been approved by the authorizer. If that hasn't been approved yet, put in pending dates for when the meetings are and what you trying to get charter term approved for. Schools and operations, you have these answers so make sure all of the fields are filled out accordingly. Affiliated organization means a legal entity that assumes financial legal and operational responsibility for a charter school including but not limited to a school district, parent company, and or a charter management organization. If this particular school, if you have a school attached to a CMO and that particular school closes or defaults, that CMO will now be responsible for covering that loan repayment.

Same thing with a charter -- or a district dependent charter. If that particular school fails or ceases to exist, we will go for the school district to repay back the loan proceeds.

>> Contact information school contacts often during review process. Make sure contact information is correct and contact person is someone who can provide application information and answer questions about the charter school that is both projections but also financially if just make sure that the contact person is very knowledgeable of the school.

The elementary school attendance area is specifically used in case of program oversubscriptions which we are not projecting this year. Should it happen, we will look at free and reduced-price meal data FRPM. If you exist already we will look at individual FRPM and if not looking at local elementary school attendance area to see what FRPM rates are.

A note, at the end of the page, you can either click save and continue to flip through all of the pages of the application and save information or you can -- or if you are completely finished with the page, click the checkbox and then click save down at the bottom there.

Please note that if you click the check box and save and continue but something is not complete, the application will prompt you to submit an answer for a missed

question. I think it actually turns red. You will know which it is. Note before you submit your application that all checkboxes must be clicked.

Make sure all that is done.

Again, if you have any issues, contact Jeff or myself. We can chat with our IT department and see if there is anything that is wrong on your end we can get ironed out on our end which has happened a couple times.

Okay. All right. Page 2, this is charter information and charter school questions.

For applicant charter information, you have to select 1. You have option A or option B. Option A is that school is a corporation. Please type in the corporation name as written on the Articles of Incorporation and upload a PDF file of school's Articles of Incorporation as approved by California Secretary of State, option B.

If a school is a dependent charter such as a school district, please type school authorizers name upload PDF of school's agreement or MOU between school's chartering authority showing link between the district or school. Charter school questions down below, check answer for each box that are all eligibility questions.

For example, you know, if the school is a conversion and you put yes, it will prompt us to look into this a little deeper and see if that is applicable or not.

Again, application, if you choose to click the check box at end of the page and click save and continue, make sure all items are complete. If the page is not complete

and you click save and continue, you will lose your PDF documents, and you will have to choose that file again and upload it.

All right. Written requests. Fill out e-mails about this like what do we need to write? It needs to be about a paragraph. What we need to do is please describe the financial needs of the charter school justifying the loan and brief description of intended use of loan proceeds and large text boxes are for written descriptions only. Put text in there. They are set to 2,000 characters limit. Again, just a paragraph that is explaining, you know, what you plan to do with the loan and for the use of the funds.

All right. So written requests and operational documents continued. This is where you will submit all PDFs that we need for the different documents that we need for your application.

Operational documents, you need to provide PDF of each. It will only submit PDFs, and it will ask for Excel spreadsheets when time comes regarding certain items.

At this time, we can only accept PDFs. First upload most recent business plan and/or strategic plan. Most of the time it happens to be a charter petition.

All you have to do is submit the charter petition.

Again, if it is too big of an e-mail, myself or Jeff or our e-mail and we will make sure it gets saved into your submitted application file.

All right. Enrollment and attendance for the current year if in operation.

We need at least next five academic years. Please provide this information by grade level. I can't stress this enough.

We always have schools that missed or glaze over this every year. You can see on the slide you will see an example what we like to see in terms of how it is -- how it is broken down by grade and year.

This is a perfect example what we are looking for.

So let's see here. All right. So the 7th upload, the valid current charter between the applicant or authorizer along with verification of approval and charter term or charter petition with documentation confirming submission for approval. School needs to provide charter petition whether approved or not. If charter is approved, please, again, provide verification such as board minutes or approval letter from the authorizer.

Normally, minutes showing it was approved and or most of the time we are getting an actual approval letter with -- from the authorizer showing when it was approved and for how long.

Those letters are perfect and checks all boxes for us. If you can submit that, staff would be most appreciative.

If the charter is not approved yet and is up for approval at a future board meeting, provide, again, provide verification you submitted petition to your authorizer. Please clarify the date that you are projected to have the board meeting and hopefully the approval from your authorizer.

So, again, as I stated before, again, if the file -- file size is too large and over 5,000 kilobytes, please e-mail us directly and we will make sure it gets attached to your respective application.

Also, very -- if you guys can, we also really appreciate it. If you can submit the PDF documents already as text readable, it saves us time on converting all these PDFs. If you are able to do that we would be most appreciative. If you can't we can do it on our side but it is a request on our end.

All right. Now, the financial documentation, so audit financial statements if available and it typically only comes from schools that are already open which are priority 2 schools and or schools attached with a CMO or affiliated organization. Next will be the budget projections for the current year if you are in operation and at least next five fiscal years beyond fiscal year for which applicant is applying. Five schools total, new schools and six years for schools already in operation, and we need all of the assumptions.

FRPM rates and LCSF rates for local district and COLA and grant amounts and unduplicated account for your area and things like that, we need all of the assumptions based on your budget projections to look into these projections and see if they are reasonable based on the assumption that you provided.

Please reference the California school county manual published by CD4 by budget schools, budget schools standards, and you see sections listed there and list expenses and revenues and same codes that the manual tells you to use.

We also need listing and verification of other sources of funding such as private contributions and fund-raising grants, et cetera.

For example, Bill and Melinda Gates Foundation, award letter from them is simple enough to us to include in your projections. If you can provide verification letters to us, it would be greatly appreciated and we need listing and verification of total amounts and annual amounts interest rates and maturity dates of existing and anticipated short and long-term debt obligations.

We are looking for here on projections that we want to make sure if you have outstanding debt it matches up with financial projections.

For example, you have a note and says it needs to be paid off in the next couple years, we will confirm on the expense side you are paying principal and interest pertaining to that note.

Now, again, you will describe the impact of the receivable we will have on the charter school's operation and received above public or private funding and created use of funds credit enhancements as well. Lots of schools don't have this they are looking for short-term capital to get the school rolling. If you don't have a creative use, that is fine. Just put in something of that nature. So all right.

This here, so this is the screenshot of -- it is a little dated 16-17 but our model looks exactly pretty much the same here and has been updated based on fiscal years we are using and what we use to determine financial soundness. You see here with revenues and expenses you see accounting codes and descriptions on the right. CDC uses this in the manual. As long as everything matches we are good to go on that. Specific ones that the school uses as long as you roll it up into one of these, staff will be fine. Also note when submitting projections to separate facilities costs and equipment leases and if application states you have other loans and pay off information that breaks down principal and interest must be included in the projections, please.

As I said, we will compare what you are submitting in terms of debt obligations and what your projections are reflecting. If not matching, staff will be reaching out to you to make sure we are capturing all this correctly.

All right. Now, the legal status questionnaire, the LSQ, you will answer questions 1 and 2 the same way on the online application as you would with a signed form. If any is the answer, click N/A download print and sign the form and also make sure to write N/A on this. If response to the question, please click see attached download and print and sign form and also make sure to write see attached. LSQ, when you submit it in there, you will have subsequent information behind that when you scan it in. Include that in your PDF upload.

Basically, write the response depending on what you see or what questions that you are referring to.

Upload the signature document and appropriate upload as well as the response document.

You will upload the signature there and upload the response.

If it -- if there is no response and you can put a blank page in there and staff will realize, yes. You don't have any actual answers. You just put in -- just put in a blank page. That is fine the authority does accept DocuSign signatures now as electronic. You can do that. It is fine. Again, make sure that you upload PDFs once you eSign or DocuSign attachments and signature form must be signed by two different people and are authorized signatories of the school. Again, two different people. We get some LSQs every year same person signing on behalf of both. Staff will reach out to you again and send you another LSQ to be re-executed by two individuals within your organization.

If a school is -- if it does have a response for either section, authority or legal council may request further information so you might be expecting a secondary e-mail from staff that is asking for legal paperwork or whatever our legal council is requesting.

All right. Now for charter school certification. Based on what option you picked on the second page or third page of the application, you will either choose option A or option B as you chose before. Download and print and sign and, again, you can do it as a DocuSign now. All you have to do is download it to your computer and DocuSign and

save as a PDF and upload that. Or you can download it and print it and sign it and upload as a PDF.

Okay. At this point, you may either submit the application or review edit. Down at the bottom there you will have two applications submit application which is blue button and review/edit which is white. Submit application and no errors you will receive a confirmation e-mail from CSA thank you for applying for the 19-20 funding round and once application period has ended, staff will be reaching out to you again.

If you submit the application and did not click the check boxes on each page at the bottom when I was referring to application will prompt you to review specific pages that are not complete. When you are done with all that particular page that has all of the uploads make sure you check box the bottom to make sure it is complete.

If you decide to review the document, you will be able to review the whole application up to the moment you hit submit.

Again, everything is you can do everything you can but soon as you hit submit, that is it. If you have things that need to be fixed or updated data e-mail Jeff or I directly, and we can include that in your application. It is totally fine if you make a mess-up or whatever or have document or numbers reach out to us, and we will take care of it.

All right. The actual submission. Deadline this year is Friday, February 28th, by 5:00 p.m.. If you are in the system and haven't submitted it, and 5:02 you won't be able to submit. Submit by 5:00 p.m. on the dot. The way that our IT system is, is there will be

a hard cutoff at that time. Paper applications are available upon requests. Again, the same rule applies. It needs to be here or postmarked before February 28th. This is a recommended former submission. We haven't had a paper application in roughly three years.

It is available but we are trying to stress the online to save time and resources and paper.

Now, the review process. Staff will send you a notice that the application is received and is under review.

Priority 1 school reviews will take place first. They are all schools opening in the fall of 2020, so next year and reviews normally last between March and June and will likely go to the board June/July. It depends on the scheduling this year and how schools look.

If funds are available after priority 1 approvals party 2 schools will be reviewed and priority 2 schools are already in operation. Priority 2 schools this year we are projecting there should be enough funds for all schools. We will do P2 reviews right after P1s or probably during the same time.

All right. Initial funding process.

Should the school get approved for a loan by our board?

Analysts will recommend eligible applicants for an award. You will be presented to a board meeting who will approve and staff will request awardee to send out a

verification checklist to make sure that all of the information is correct before the funding is sent out. We will need to confirm your charter and charter number and CDS code opening date and physical mailing address and standard 204 form. We will send that to you after the meeting when school is approved for a loan, which is a form needed by state accounting process that is provided to you and is needed by every school.

I got one more.

>> One more?

>> STEVEN THEURING: Once approved, schools will be sent a loan agreement and governing board resolution, which this is for your board. We have the language for you. Whatever you have to do on your side for board approval fill out and send back to us. When we get docs we will start loan disbursement process. Disbursement checks are normally received 4 to 6 weeks from state controller's office. You can expedite that with a fee and do it one day up to five days depending how many days of processing fee goes from \$10 to \$75. Repayment begins the following fiscal year after the schools disburse their loan. In case of 19-20 funding awardees, you will begin your payments in August of 2021.

Payments are normally made through offset intercept process through school state apportionment. If school doesn't have apportionment. Mostly schools don't at beginning of these years that is why we are allowing a one year until we offset. You will

be invoiced for their monthly payment until apportionment is available for offset or for example the school is not getting enough in their state apportionments to pay their monthly loan amount and we will invoice the school for that difference between state apportionment offset and what is owed for that payment.

All right. Now, contact information.

You can -- I'm Steven Theuring and lead analyst for the program. Jeffery Martin is new analyst and working on program as well and on the right is Ryan Storey, and he is part of LA office and helps with financial reviews under the program as well. At the bottom you can find our CSRLF e-mail and if you have questions, you can e-mail myself, Jeff, or RLF e-mail directly and we can answer any questions. All right. In closing submit questions after the webinar or e-mailing us at RLF Website and we will be answering questions this week and next week if there are any after this webinar we can reach out to you. If any that we can post to FAQs, we will do so. This PowerPoint will be available in the Website after the meeting and reporting of transcript posted on Website in the near future. Again, thank you for participating. We hope this webinar was very helpful and hope you have a great day.

>> KATRINA JOHANTGEN: Thank you, Steven. Thank you, everybody. Bye, bye.

>> STEVEN THEURING: Bye, bye