

Staff Summary No. 6

Date: March 23, 2010
To: Members of the California School Finance Authority
From: Katrina M. Johantgen, Executive Director
Re: Consideration of Changes to the Charter School Facilities Program Regulations (Resolution 10-07)

Staff is proposing changes to the regulations that guide the Charter School Facilities Program (Program). This staff summary outlines the proposed changes to the regulations. The proposed amendments include:

Section 10152

- Definition of “Applicant” is amended to include charter school operator as an eligible entity to apply for charter financing and to meet Program criteria.
- Definition of “Chartering authority” is clarified as the governing board of the chartering authority.

Section 10153

- Provides clarification that if an application is incomplete when received, and any additional information is not provided upon request, the application may be identified as incomplete and the applicant will not be eligible for consideration.

Section 10154

- Amends language to conform to statutory changes allowing rehabilitation as an eligible project.
- Provides clarification that two years of charter experience specifically means two full years of instructional experience.
- Clarifies factors to be considered when making a financially sound determination, to include but not be limited to: 1) a school’s good standing with its chartering authority as well as any other factors that may impact its charter standing or renewal; 2) consistency in meeting student academic achievement standards; and 3) guarantor criteria will also apply to any co-borrowers.
- Conforms name references for the chartering authority.
- Identifies an initial determination of financial soundness may be withdrawn prior to final apportionment if a previously identified area of concern has not been remedied.

Section 10155

- Provides that applications will need to include projected enrollment, broken out by grade level, for the next five years or through the first two fiscal years following occupancy of the program-funded facility.
- Verification of retention percentage to show year-to-year retention rate.
- Clarification that projected income statements and cash flows, including written assumptions, will be needed for five years or through the first two fiscal years following occupancy of the program-funded facility.
- Clarifies that guarantor criteria will also apply to any co-borrowers.
- New language requiring applications include detailed disclosure of all existing and anticipated debt obligations, including:
 - List the total amounts, annual amounts, interest rates, and maturity dates of all existing and anticipated short- and long-term debt obligations of the applicant or charter school;
 - A description of the equipment or facilities financed with the debt obligations;
 - If applicable, provide information about any debt covenants that could impact the program debt obligation; and
 - Provide copies of all financing documents associated with the debt obligations.

Section 10156

- Clarifying language that the method of making a determination will include consideration of certain information as a basis for determining an applicant's financial soundness, including but not limited to: 1) student performance data; 2) reasonableness of financial performance and corresponding assumptions; 3) evidence of applicant's current and likely continued good standing and charter status with its chartering authority.
- Clarifies that guarantor criteria will also apply to any co-borrowers.

Section 10157

- New language that evidence of continued financial soundness will include reports showing evidence of the chartering authority's routine oversight of the charter school's activities.

Section 10158

- Amended language clarifying that updated information provided by applicants will need to include: 1) projected enrollment, broken out by grade level, for the next five years or through the first two fiscal years following occupancy of the program-funded facility; 2) financial projections, including written assumptions, for the next five fiscal years or through two full years of occupancy at the program-funded facility; 3) guarantor criteria will also apply to any co-borrowers; and 4) detailed documentation of all debt obligations.

Section 10159

- Clarifies that guarantor criteria will also apply to any co-borrowers.

Section 10160

- Verification of statutory changes to the designated interest rate prescribed in Education Code, section 17078.57(a)(1)(D) and (E).
- New language requiring evidence any lump sum payment to be provided toward the local matching share obligation is available and restricted for purposes of making the payment.

Section 10161

- Clarification that title to project facilities may be held by the school district where the facility will be physically located.
- New language authorizing that title to project facilities may be held by a charter school or a local governmental entity other than the school district in accordance with Section 1859.172 of the School Facility Program Regulations.

Section 10162

- Conforms name references for the Program Agreements, including the memorandum of understanding and/or funding agreement.

Section 10164

- Clarifies that guarantor criteria will also apply to any co-borrowers.
- New language clarifying that prior to the release of funds for site acquisition or new construction for final charter school apportionments, a charter school holding title to the project facility must comply with section 1859.172 of the School Facility Program Regulations.
- New language clarifying that advance funds will only be released when program agreements have been executed by all parties.

Staff is recommends that the members approve Resolution 10-07 authorizing the proposed amendments to the regulations. 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.