

RESOLUTION NO. 11-36

**RESOLUTION APPROVING THE INTERCEPT MECHANISM FOR
CHARTER SCHOOL FACILITIES PROGRAM RECIPIENTS**

September 22, 2011

WHEREAS, the Charter School Facilities Program was enacted for the purposes of constructing, acquiring, or renovating new facilities for site-based charter school students, in trust for the benefit of the state public school system; and

WHEREAS, Education Code, section 17078.57 et seq. states that the Authority shall adopt regulations establishing uniform terms and conditions that shall apply equally to all facility projects seeking Program funding; and

WHEREAS, Education Code, section 17078.57 et seq., and California Code of Regulations, title 4, section 10160 et seq. provide that an applicant may elect to make lease payments in lieu of a lump sum local matching share, with payments due over 30 years; and

WHEREAS, Program lease payments may be made using the intercept mechanism, identified in Section 17199.4 of the Education Code, to intercept a recipient's state-aid portion of its General Purpose Block grant at regular intervals to satisfy its payment obligations under this Program; and

WHEREAS, the credit underwriting standards used to determine financial soundness are more liberal and beneficial to charter schools compared to standards applied by private sector lenders; and

WHEREAS, recipients have encountered increased difficulty in meeting and maintaining the minimum 100% debt service coverage requirement as a result of the downturn in the economy and the State's reduction of general purpose block grant rates; and

WHEREAS, the intercept mechanism has been a contingent requirement of financial soundness for some recipients due to certain credit factors; and

WHEREAS, the requirement that all determinations of financial soundness include the use of the intercept mechanism will protect the interests of taxpayers with little or no impact on the participating schools; and

WHEREAS, the Authority may adopt a policy to utilize the intercept mechanism as a condition of each determination of financial soundness and fund release for all future Program recipients and all current Program recipients requesting Advance or Final Apportionment.

NOW, THEREFORE, BE IT RESOLVED by the California School Finance Authority as follows:

California School Finance Authority
Resolution No. 11-36
September 22, 2011

Section 1. All future Program applicants and all current Program awardees requesting Advance or Final Apportionment will utilize the intercept mechanism as a condition for a determination of financial soundness and subsequent fund releases. The Authority may make exceptions on a case-by-case basis.

Section 2. All prospective determinations of financial soundness for Advance or Final Apportionments will require that Program awardees enter into Program Agreements that include provisions requiring participation in the intercept mechanism.

Section 3. All Program awardees that have already been found financially sound for Preliminary, Advance, or Final Apportionments, and that have not yet entered into an agreement to participate in the intercept mechanism will be required to execute amended Program Agreements that include provisions specifying this requirement. The Authority may make exceptions on a case-by-case basis.

Section 4. The Executive Director is authorized to do all things necessary to utilize the intercept mechanism and incorporate the provisions in the Program Agreements and other documentation, in order to effectuate the purposes of this resolution and the Program.

Section 5. This resolution shall take effect immediately upon its approval.

Date of Adoption: _____

CERTIFICATE OF THE EXECUTIVE DIRECTOR
(Attesting to Action of the Authority)
Sacramento, California

I, Katrina Johantgen, Executive Director of the California School Finance Authority, hereby certify that the foregoing is a full, true, and correct copy of Resolution No. 11-36 of the California School Finance Authority Resolution Approving the Intercept Mechanism for Charter School Facilities Program Recipients, adopted at a meeting of the California School Finance Authority held at 915 Capitol Mall, Conference Room 587, Sacramento, California 95814, on September 22, 2011, for which meeting all of the members of said Authority had due notice; and that at the meeting the staff recommendation was adopted by the following votes:

AYES:

NOES:

ABSTAINS:

ABSENT:

This resolution of intent expires one year after the adoption date. Extensions must be approved by the Authority in a public meeting.

I further certify that the original minutes of said meeting and a copy of the original Resolution adopted at said meeting are on file in the California School Finance Authority office; and that the Resolution has not been amended, modified, or rescinded in any manner since the date of its adoption, and the same is now in full force and effect.

IN WITNESS WHEREOF, I have executed this certificate and affixed the seal of the California School Finance Authority hereto.

(seal)

September 22, 2011

Katrina Johantgen, Executive Director