

MEMORANDUM

Date: November 27, 2012

Staff Summary No. 6

To: Members, California School Finance Authority

From: Katrina M. Johantgen, Executive Director

Subject: Resolution No. 12-39 Approving the Forms of the Grant Agreements for the Charter School Facilities Credit Enhancement Grant Program

Background

The California School Finance Authority received a grant award in 2010 under the U.S. Department of Education's Credit Enhancement for Charter Schools Facilities Program (CFDA # 84.354), which, for purposes of the Authority's implementation has been entitled the "Charter School Facilities Credit Enhancement Grant Program" (Program). This federal grant is authorized under Title V, Part B, Subpart 2 of the Elementary and Secondary Education Act, as amended by the No Child Left Behind Act of 2001. This federal grant provides \$8,300,000 for the purpose of funding primary debt service reserves for the financing of acquisition, renovation, or construction of charter school facilities, or the refinancing of existing charter school facility debt.

In June 2011, the Authority executed its Performance Agreement with the U.S. Department of Education, which outlines the Program's performance goals, implementation timeframe, and grant project description. Among other things, the Performance Agreement sets forth that the Program is to support schools serving students from low-income households, high-quality charter schools seeking low-cost capital for new facilities, and schools seeking to reduce borrowing cost on existing debt. In addition, the Performance Agreement sets forth that, for purposes of the Program: (1) the Authority will serve as the conduit debt issuer on behalf of charter schools seeking financing for facilities via its conduit financing program or through debt that is private placed with private lenders; (2) maintain a pooled 8:1 leveraging ratio for across all financings using enhancement grant funds; and (3) the Authority invoke the intercept mechanism pursuant to Education Code 17199.4 for repayment of Program-associated debt. Overall, the Program goals contemplate issuing grant awards to approximately 10-15 charter school applicants over a five year grant period, 2011 to 2016.

On November 9, 2011, the Authority adopted Program Regulations (sections 10192 to 10199 of Title 4 of the California Code of Regulations) to implement and administer the Program. Section 10199(a) of the Program regulations provides that the release of grant funds requires the execution of the Program agreement (also known as "Grant Agreement"). The Office of Administrative Law approved the Authority's Program regulations on April 19, 2012, and the Authority began soliciting for applications in June 2012.

Discussion

To date, the Authority has received applications from six organizations applying on behalf of charter schools. The application for Value Schools is being brought before the Authority at this November 27, 2012 meeting, and it is anticipated that the credit enhancement grant applications for Alliance College-Ready Public Schools and High Tech High will be brought before the Authority's December 12, 2012 meeting.

Recommendation

Staff recommends that the California School Finance Authority Board adopt Resolution No. 12-39, approving the form of the grant agreement, in substantially this form, and authorize the Executive Director to act on its behalf to release funds to charter school awardees that appropriately execute and comply with the grant agreement and any other requirements of the Authority.