

**Date:** June 26, 2013

**To:** Members of the California School Finance Authority

**From:** Katrina M. Johantgen, Executive Director

**Subject:** Resolution No. 13-25 Approving Awards and Authorizing the Disbursement of Funds Under the Ninth Funding Round of the State Charter School Facilities Incentive Grants Program (CFDA #84.282D)

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This is to request the approval of the award of grant funds to the top ranking applications in line for a grant award as shown in Exhibit A attached hereto; the Executive Director to take the steps necessary to execute the grant agreements and disburse the grant funds; and make awards to alternate applications in ranked order as shown in Exhibit A, in the event Grant Program funds become available.

### **Background and Process**

On behalf of the State of California, the California School Finance Authority (Authority) received in 2004 a \$49.25 million grant from the U.S. Department of Education for a charter school facilities grant program. In 2009, the Authority was awarded a second grant in the amount of approximately \$48.5 million for the Grant Program.

Applications for the ninth funding round of the Grant Program were due to the Authority no later than April 10, 2013, and the Authority received 120 applications. This round, the Authority will be making awards totaling over \$12 million. The Authority receives roughly \$10 million annually from the U.S. Department of Education, and approximately \$2 million in excess Program funds from prior rounds are available to award.

The Grant Program is intended to provide financial assistance to California charter schools based on demonstrated need. The Authority uses a 150-point scale to award points based on the following: 1) Zero to 60 points based on the number of low-income students served by the school (as measured by the number of students eligible for free or reduced price meals); 2) Zero or 10 points based on the degree of overcrowding where the school is located within a specified number of miles (three miles for city schools or 10 miles for suburban school or 15 miles for rural schools) of a traditional public school identified as overcrowded under the Overcrowding Relief Grant or the Critically Overcrowded School programs); 3) Zero or 20 points based on the non-profit status of the school or the entity operating the school; 4) Zero or 20 points based on student performance as measured by whether the school met its Academic Performance Index (API) Growth Target for the most recent year; 5) Zero or 10 or 20 points based on the school providing a school choice option in a community of greatest need; and 6) Zero or 20 points for first time award competitive priority based on whether the applicant charter school has received an award under the 2004 Grant Program (rounds 1-5).

Authority staff relied on the same data sources to assign points under this funding round as it has in previous rounds. The California Department of Education (CDE) provided low income information based on how many students served by the charter school are eligible for free or reduced price meals, student performance information based on whether the school met its API growth targets and all AYP criteria for the most recent year, and overcrowding information by identifying public schools meeting the criteria for funding under the Overcrowding Relief Grant or the Critically Overcrowded School programs. The website for the National Center for Education Statistics (NCES) was relied upon for determining the locale code of city/urban, suburban, or town/rural in which the charter schools applying for funding are located, applicants were charged with providing staff with documentation demonstrating the charter school is a non-profit entity or operated by a non-profit entity. Staff relied on student performance data from CDE, and location information from the NCES to assign preference points in the school choice category.

There were changes to our Program regulations for rounds 9 and 10 that staff needed to evaluate for this funding round. Such changes included the need for applicants to demonstrate site control for the term of the grant period (at least 3 years). Some schools in this round were deemed ineligible as they were not able to demonstrate site control for more than one year. Other changes were primarily clarifying changes regarding eligible costs, compliance with Davis-Bacon requirements, and what is to be done with funds left over in the event there are no longer eligible alternates to grant funds to. Members of the public were notified of these changes, and they were highlighted in our communications to all charter schools during our annual notification period.

The following steps were taken to process Grant Program applications:

1. Grant Program Eligibility: Staff evaluated applications for Grant Program eligibility and completeness. If applicants were deemed ineligible for participation, letters were sent which explained our rationale. If information was missing from the application packet, applicants were given a deadline for submitting required information.
2. Low-Income Preference Points: In order to assign low-income preference points, staff received from CDE free and reduced price meal data for each applicant. The data measured the number of students at the school in the 2012-13 school year that were eligible for free or reduced price meals, and calculated the percentage of the students attending the school who qualified for free/reduced meal programs. *The school does not necessarily need to have a lunch program in order to file this information with CDE, as this data also is used to measure the number of low-income students being served by the school.*
3. Overcrowding Preference Points: CDE identified public schools eligible for funding under the Overcrowding Relief Grant and the Critically Overcrowded School programs. Additionally, using Google maps as the resource, staff searched for overcrowded public schools located within a specified number of miles (three miles for city/urban schools or 10 miles for suburban school or 15 miles for town/rural schools) of the applicant charter schools to identify whether the applicant charter schools were eligible for 10 overcrowded points.

4. Non-Profit Points: Applicant charter schools that demonstrated that it, or its operator, is organized and operated as a 501(c)(3) or as a nonprofit California public benefit corporation, were awarded 20 preference points in this category. Documentation from the U.S. Treasury Department or the California Secretary of State is required to receive 20 points in this category. The name of the organization on the non-profit documentation must match the name of the applicant charter school or governing organization.
5. Student Performance: Applicant charter schools that met their API growth target for either school-wide or all subgroups for the most recent year were awarded 20 preference points in this category.
6. School Choice: Applicant schools that provided a school choice in a community of need were assigned up to 20 preference points. Applicants were assigned 10 points if the charter school met all AYP criteria for the most recent year and the school is located within a specified number of miles based on the locale code (as measured by Google maps) of any traditional (non-charter) school that failed to meet AYP. Similarly, applicants were assigned 10 points if the charter school met its API growth target for both school-wide and subgroups for the most recent year and the school is located within a specified number of miles based on the locale code (as measured by Google maps) of any traditional school that did not meet both these two criteria.
7. First-Time Award Competitive Priority: If an applicant charter school has not received an award previously, the applicant was awarded an additional 20 points. Staff reviewed the list of all prior Grant Program awardees to assign preference points in this category.
8. Compliance With Charter Terms and Good Standing with Authorizer: To ensure that applicants were in compliance with the terms of their charters, and in good standing with their chartering entities at the time of application submission, as required in the Grant Program regulations, Authority staff sent out letters to chartering entities requesting verification of charter compliance and good standing.
9. Notification of Preliminary Point Assignment: Notification has been provided to applicants regarding their eligibility as well as their preliminary preference point assignments.

### **Award Methodology**

Pursuant to section 10183 of the regulations, the Authority shall rank the applications based on the total points received, with the highest score ranking first. In the event that more than one application has the same overall score, the application with the highest points in the low-income category will receive a higher ranking. If more than one application has the same overall score as well as the same low-income points, the application with the highest points in the overcrowded school district category will receive a higher ranking. If application of the tiebreaker described above results in more than one application still having the same ranking, applications with the earliest mailing date will be given preference.

For each funding round, the Authority will make an initial award for each application, taking into account the ranking of all applications, the total amount of funds requested and the total amount of funds available. In the event total funds requested exceed total funds available, the Authority shall allocate funds beginning with the application scoring the highest ranking,

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and then proceed with the next highest rank until all available funds have been awarded. If any Grant Program funds become available at a later date, the next highest ranked applicant or alternate will be offered a grant award.

**Recommendation**

Staff recommends members of the California School Finance Authority adopt Resolution 13-25 approving staff's funding recommendations contained in Exhibit A of Resolution 13-25. Approval of Resolution 13-25 also authorizes the Executive Director to execute the grant agreements on behalf of the Authority.

## Data Analysis

- Total – 120 Applications Received
  - 19 Applications Ineligible
    - 5 – Current Subgrantee
    - 1 – Good Standing Letter Issues
    - 2 – Late
    - 1 – Less Than One Year of Operations
    - 1 – Non-Site Based School
    - 1 – Non-Eligible Costs
    - 5 – Incomplete Application
    - 1 – No Proof of Long Term Site Control
    - 1 – Withdrawn
    - 1 – CSFP Facility
  - 31 Awardees
    - 2012-13 enrollment is 11,381 students
    - Use of Funds Breakdown
      - 29 – Lease Costs
      - 1 – Debt Service
      - 1 - Purchase
    - Low Income Range = 69.37% - 100% (34-60 points)
    - 26 Schools received points for Overcrowding School Site
    - 27 schools received points for API student performance
    - All schools received points for Non-Profit Status
    - 11 schools have previously received grant awards under this program
    - AYP School Choice = 39%
    - API School Choice = 74%
  - 101 Eligible Schools
    - 39 Chartering Authorities Represented
    - Low Income Range = 0-100%
      - 0-25% = 14 schools (14%)
      - 26-50% = 10 schools (10%)
      - 51-75% = 19 schools (19%)
      - 76-100% = 58 schools (57%)
    - Overcrowding School Site = 76%
    - API Student Performance = 63%
    - API School Choice = 41%
    - AYP School Choice = 20%
    - Non-Profit Status = 98%
    - No Previous Award Under This Program = 66%
- Locale Code Analysis
  - State Charter School Numbers (983 Schools)
    - Urban - 452 schools (46%)
    - Suburban - 223 schools (23%)
    - Rural - 208 schools (21%)
    - Data Unavailable - 100 schools (10%)

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- Round 9 Applicant Pool (103 Eligible Schools)
  - Urban - 61 schools (60%)
  - Suburban - 28 schools (28%)
  - Rural - 7 schools (7%)
  - Data Unavailable – 5 schools (5%)