

MEMORANDUM

Staff Summary No. 7

Date: May 14, 2014

To: Members of the California School Finance Authority

From: Katrina M. Johantgen, Executive Director

Subject: Approving the Charter School Facilities Credit Enhancement Grant Program Awards

Background: The California School Finance Authority (Authority) received a grant award in 2010 under the U.S. Department of Education's Credit Enhancement for Charter Schools Facilities Program (CFDA # 84.354A), which, for purposes of the Authority's implementation has been entitled the "Charter School Facilities Enhancement Grant Program" (Program). This federal grant, 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, 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 utilized for such purposes.

Issue: On March 25, 2013, the Inner City Education Foundation submitted an application for a grant under the Program to enhance a financing for a new facility for View Park Preparatory Accelerated Charter Elementary School and View Park Preparatory Accelerated Charter Middle School. After consideration of the application, staff recommended granting the award to ICEF for this financing. At its meeting of July 17, 2013, the Authority approved Resolution 13-31, awarding 52nd & Crenshaw LLC a Program award in an amount not to exceed \$1,430,000 to be used to fund a debt service reserve fund in connection with bonds issued by the Authority. At the same meeting, the Authority board approved Resolution 13-34 approving the issuance of bonds for the 52nd & Crenshaw project. Section 2 of Resolution 13-34 contained an authorization to sell bonds within nine months of the date of the adoption of the resolution, resulting in an issuance deadline of April 17, 2014. In early April 2014, the ICEF financing team was working to sell the bonds by April 17, 2014, but was not able to, given local permitting and other issues that delayed the sale of the bonds. The financing team notified Authority staff of the delay, and its inability to meet the April 17, 2014 deadline, after the Authority's April board meeting agenda was published. ICEF's Program award expired with its bond issuance authority.

On August 9, 2013, CSFA received an application for Program funds from KIPP LA, requesting \$1,500,000. CSFA evaluated KIPP LA and found the school to be eligible for an award. CSFA planned to bring the KIPP LA Program award of \$402,135, based on the funds remaining in the Program, to the board in May 2014, along with its bond issuance resolution.

With two eligible applications set to come to the board in May for a Program award determination, CSFA staff reviewed Section 10196(d) of Program regulations for guidance on how to allocate the award at this time. Section 10196(d) states that, "Grants under the Program shall be available and awarded on a rolling first-come first-served basis to the extent that funding and appropriations are available, and the requirements of the Program are satisfied. The Application review process will remain open only to the extent of available funding and appropriations."

As ICEF's application was received in March 2013 and KIPP LA's in August 2013, staff is using the criteria set forth in regulation to make the determination that ICEF's application was received before KIPP LA's application; thus, ICEF was the first-come applicant to be first-served with an award. Therefore, CSFA staff is recommending that ICEF receive a Program allocation of \$1,430,000, and KIPP LA receive the balance of Program funds, \$402,135.

Recommendation: Staff recommends that the Board adopt Resolution No. 14-08, awarding ICEF a Program award of \$1,430,000 and KIPP LA an award of \$402,135. The expiration of the awards will be consistent with the expiration dates in the bond issuance resolutions.