

CALIFORNIA SCHOOL FINANCE AUTHORITY

Meeting of the Board

Thursday, December 11, 2014
10:00 a.m.

915 Capitol Mall, Room 110
Sacramento, California 95814

Deputy State Treasurer Michael Paparian, serving as Chair, called the meeting to order.

Roll Call

Members Present: Michael Paparian, designee for Bill Lockyer, State Treasurer
Eraina Ortega, designee for Michael Cohen, Director of Finance
Kathleen Moore, designee for Tom Torlakson, Superintendent of Public Instruction

Staff Present: Katrina Johantgen, Executive Director (via video conference)
Laura Martinez, Manager
Kristen Schunk, Program Analyst
Steven Theuring, Program Analyst
David Weinberg, Program Analyst (via video conference)
Anne Osborne, Program Analyst
Nicolaus Seppi, Office Technician

The Chair declared a quorum present.

Approval of Minutes

The minutes for the November 20, 2014 Authority board meeting were approved unanimously as presented by roll call.

Executive Director's Report

Ms Johantgen introduced CSFA's newest team member, Anne Osborne, to the Board. Anne came to CSFA from Covered California.

Charter School Facility Grant Program: Ms. Johantgen informed the Board that CSFA is moving through their SB 740 disbursements.

Charter School Revolving Loan Fund Program: Kristen Schunk reported that the 2014-15 funding round is now open, and the application has been posted to the website. The application deadline is February 24, 2015. Ms. Johantgen reported that the FAQ's for the Program have been updated and CSFA will be working with the Department of Finance (DOF) to release funds from the Security Fund.

Conduit Bond Program: Ms. Johantgen reported that CSFA does not have a financing on the agenda but anticipates at least one coming before the Board at the January meeting for Rocketship. There also will be a large financing for Alliance at either the January or February Board meeting.

Charter School Facilities Program: Ms. Johantgen reminded the Board they approved four awards for preliminary apportionments at the last meeting. Ms. Johantgen and David Weinberg are working on getting these agreements out. Ms. Johantgen also said that there is a possibility of additional funds becoming available from a rescinded project. CSFA may be present the Board with additional financial soundness reviews next year if this occurs.

CSFA anticipated having Magnolia Science Academy (MSA) presented to the Board today. MSA will come to the Board next year for a financial soundness review. As the school's deadline for conversion to final apportionment is in 2016, CSFA has ample time to conduct our analysis.

State Charter School Facilities Incentive Grants Program: There have been some delays with requests to US Department of Education to draw federal moneys to make disbursements to schools. The October, November and December draw requests have been submitted, so it is anticipated that those disbursements for Round 8, 9 and 10 schools will be processed soon.

Charter School Facilities Credit Enhancement Grant Program: Ms. Johantgen told the Board that CSFA filed its annual report to the US Department of Education. CSFA has an approximate balance of \$130,000 remaining in this fund that will be awarded to the next bond financing presented to the Board in January.

Legislative and Administrative Updates: Ms. Johantgen informed the Board that CSFA submitted a BCP to DOF for SB 740 program due to the passage of AB 948. CSFA is awaiting response from DOF. There are no other updates or bills that affect CSFA or its programs.

Item 4: Consideration of Appeal on Behalf of Schools Listed in Exhibit A Related to Ineligibility for the Charter School Facility Grant Program

Two 2013-14 schools appealed staff's true up analysis, and one applicant is appealing CSFA finding of ineligibility for a late application. Under the 2014-15 round, there are three schools appealing staff's finding of ineligibility for their late application.

1. KIPP Adelante: Ms. Laura May, Director of Finance, from KIPP Adelante (KIPP) was asked to present the appeal to the Board. Via teleconference, Ms. May apologized for the late submittal and indicated that during the application period, KIPP was undergoing administrative changes and the application was overlooked due to the transition. Ms. May also stated that KIPP was unaware of the change to the deadline date and had submitted their application based on last year's due date. She further indicated that KIPP's charter was up for renewal in June 2013 and was granted renewal through 2018, but discovered in September that the chartering authorizer, San Diego Unified School District, did not notify CDE and other state agencies about their approved renewal; therefore some agencies were not aware that KIPP was in operation.

The Board asked several questions including if they had the ability to grant appeals for prior fiscal years, and if so, were there additional funds remaining in this program. CSFA confirmed there were funds available and Mark Paxon, General Counsel, indicated there was nothing in statute prohibiting the Board from approving appeals from prior fiscal years. The Board expressed concerns over setting a precedent by accepting an appeal over one year late, and reminded Ms. May that KIPP's appeal for 2014-15 funding round was approved at the last Board meeting. The Board also stated that the KIPP's appeal for 2013-14 is less compelling than their 2014-15 appeal, as the funding for that fiscal year has already been closed out by the school.

No further public comment was brought forward for this appeal. A motion was set forth to grant the appeal, but there was no second. Because there was no second to the motion, the appeal failed.

2. REALM Charter Middle School: Ms. Johantgen reported that REALM will be held over to the January board meeting, as REALM believes they have resolved their FRPM issue with CALPADS. The Board said that if REALM is able to provide CSFA staff with the updated FRMP data, this item will not need to be brought before the Board in January.
3. Ballington Academy for the Arts and Sciences: Ms. Johantgen introduced the Board to the representatives from Ballington, Ms. Doreen Mulz, School Superintendent, and Ms. Sarah Kollman, attorney representing Ballington. Ballington's representatives indicated that they rely on FRPM data from their local elementary school, Margaret Hedrick, to meet Program eligibility. According to CDE's FRMP K-12 data, Margaret Hedrick's FRMP was at 69.6%, which resulted in Ballington being found ineligible for its 2013-14 award. Being found ineligible during the true-up process resulted in CSFA invoicing Ballington for approximately \$127,000. The representatives indicated that repaying the funding it had already received from CSFA would represent 10% of the school's operating budget and would pose a financial hardship. They further stated that unlike REALM, Ballington was unable to contact CALPADS in an effort to have the FRPM data updated, as they rely on their elementary school for the school's eligibility. Several requests were made to Margaret Hedrick's staff asking that they contact CALPADS on behalf of Ballington. But those requests were unsuccessful.

Ballington representatives stated that CDE's FRMP data for 5-17 for Margaret Hedrick is above the 70% FRPM threshold, and requested that CSFA staff utilize that column of data to deem the school eligible. They further said that CSFA regulations did not indicate that a specific column of data needed to be used to determine eligibility. The Board asked several questions including why Ballington would be required to pay back funding to the state that they had already received. Ms. Johantgen and Mr. Paxon informed the Board that the initial allocations are made to school utilizing the prior year's FRPM data as new data is not available at the time allocations are made. During the True Up process, new FRPM data is available and some schools are then found ineligible if they had a drop in FRPM. Mr. Paxon informed the Board that this process is in statute and therefore CSFA is required to follow this practice. CSFA's past practice has been to utilize the K-12 data from CDE.

A long conversation ensued on the use of K-12 versus 5-17 data which included input from Ms. Moira Topp from the California Charter School Association, and Mr. Eric Premack from the Charter School Development Center. Another data set, School Nutrition Data, was brought up as a possible source to be utilized as it is updated daily.

The Board asked to hold their decision over to the January board meeting, as they would like CSFA to verify information from CDE. The Board also requested CSFA staff provide them with data on how many schools were denied acceptance to this program by utilizing K-12 versus 5-17 data. Staff thanked the parties that contributed to the discussion, and told the Board it would have the item ready for the January meeting.

Consideration of Appeal on Behalf of Schools Listed in Exhibit B Related to Ineligibility for the Charter School Facility Grant Program

Three 2014-15 appeals are being brought before the Board from iLead, Bitney College and Discovery College.

1. iLead Lancaster Charter School: No representative from iLead was present for the Board meeting. Ms. Johantgen referred to the staff summary which shows that iLead submitted their application to CSFA on October 16, after the deadline. iLead indicated that because of a change in leadership the application was not processed and submitted on time. They are asking the Board to approve their late application.

Ms. Topp from CCSA asked to speak on behalf of all three charter schools. Ms. Topp thanked the Board for the indulgences they have granted over the last year to charter schools submitting late applications. Ms. Topp and CCSA believe this year is a unique opportunity given that AB 948 was passed. AB 948 is the biggest change to the program, and asked that a second round of eligibility be administered, this year only, due to the implementation of AB 948. Ms. Topp stated that a number of charters will now be able to meet eligibility. She also said that the statute does not specify that the program only have one round. She believes that with the change in eligibility and legislation, if CSFA allowed a second eligibility round, it would allow the late schools that missed the first round to get another chance. She acknowledges that this request would increase the workload for CSFA, but since it is a unique year, she asks that the Board considers a second round.

The Board asked if the legislation allows CSFA to add a second round to 2014-15 or if it is only moving forward to 2015-16. Ms. Johantgen clarified to the Board that statute states only say 'if funds are available.' CSFA will not know if any funds are available until the end of 2015. The Board confirmed that the schools appealing today were based on their applications being submitted late, and that the change in FRPM would likely not affect them. Accepting these appeals would simply allow staff to determine their eligibility.

The Board indicated that there are two separate issues being discussed; the appeals before them, and whether CSFA should open up a second round for the 2014-15 application period. The Board stated that the issue of a second funding round is not on the agenda so they would like to focus on the appeals before them. They

informed Ms Topp that she could bring this item up at a later Board meeting or as a public comment.

2. Bitney College: Via teleconference, Mr. Russell Jones, Director, appealed to the Board. Mr. Jones informed the Board that he took over the Director position from the previous individual, who had left unexpectedly. Mr. Jones was not aware of the missed deadline. When he became aware of it, Mr. Jones contacted CSFA and was told that the Board would look at the appeal, so he submitted one. Mr. Jones assured the Board that this will not happen in the future, as they will be far more attentive to the deadlines. The Board clarified for him that approving an appeal would only allow the staff to investigate their eligibility and the final costs, and was not a guarantee of an award.
3. Discovery Charter School: No representative from Discovery attended the board meeting. Ms. Johantgen referred to the staff summary. Discover submitted their application late. In its appeal letter, Discover indicated that a series of “unfortunate events” occurred that caused the application deadline to be missed.

For all three appeals, Ms. Johantgen suggested there might have been some confusion about the deadlines and their meanings. She read the letter from Bitney College, which called the October deadline as an ‘extension’ instead of a separate deadline. The Board would like to continue being consistent with accepting appeals for late applications, but with the caveat that next year, the Board will be less lenient.

The Board voted unanimously to approve all three 2014-15 appeals.

Item 5: Resolution 14-29 – Adoption of Amended Permanent Regulations for the State Charter Schools Facilities Incentive Grants Program and Authorizing the Permanent Rulemaking Process

Ms. Johantgen presented the regulations for the third grant under the State Charter School Facility Incentive Grants Program. CSFA was awarded a third \$50,000,000 grant from the U.S. Department of Education. The main goal of these revisions is to find a way to provide oversight to both the state and federal programs. Proposed regulation changes will ensure that schools will supplement and not supplant federal funding, an issue CSFA has been working on for the last year. The next change impacts how CSFA assigns preference points as there will not be student-performance data sets available given the transition to common core standards. The Board then asked if there was any public comment. Mr. Premack came forward and said that they are supportive of the regulation changes to ensure the success of the state program. A motion was made to approve the regulation amendments and the item was approved unanimously by roll call.

There being no additional public comments or other business to conduct, the meeting was adjourned.

Respectfully submitted,

Katrina Johantgen
Executive Director