

MEMORANDUM

Staff Summary No. 6

Date: August 3, 2017

To: Members of the California School Finance Authority

From: Katrina M. Johantgen, Executive Director

Subject: Consideration of Appeal Regarding the Charter School Facility Grant Program

Background: In 2013-14, the administration of the Charter School Facility Grant Program (Program) was transferred from the California Department of Education (CDE) to the California School Finance Authority (Authority). Since 2013-14, the Authority has received late applications following each funding round's application deadline. Therefore, on August 10, 2016, the Board approved a policy memo regarding late application submission for the Program. The memo recommended that late applications be accepted when both of the following conditions are met: 1) all other programmatic requirements have been met; and 2) ***there is funding capacity under the Program.***

Issue: All California charter schools on file with CDE are notified via-email and through the Authority listserv of the deadline for application submission. Program regulations, section 10175.5 (a) state the "Application deadline shall be 5:00 p.m. on the date five weeks from the date the application is made available by the Authority." The application was made available April 21, 2017 and was due on June 1, 2017 at 5:00 p.m. For the 2017-18 funding round, the Authority received 426 applications by the regulatory deadline of June 1, 2017. *The only late applications were received from Alta Public Schools (APS).*

On June 20, 2017, a representative of APS contacted the Authority requesting clarification on the 2017-18 Application deadline. Staff confirmed the June 1, 2017 deadline, and informed the school representative that CSFA would not be accepting late applications in 2017-18 given that the Program is projected to be oversubscribed. On June 28, 2017, the Authority received a letter of appeal and Program applications for the following schools: 1) Prepa Tec - Los Angeles; 2) Prepa Tec Los Angeles High; and 3) Academia Moderna. Authority staff have reviewed APS' appeal and determined them ineligible. A summary of the school's appeal is listed below:

- APS recently issued bonds through the Authority which were approved by the Board on February 8, 2017, and the bonds issued are supported by Program funding.
- APS asserts Program funding is "vital to [their] plans" and without these funds, they may have to terminate their plans to develop a facility for Prepa Tec - Los Angeles.

While all three APS appear to meet other programmatic requirements, the 2017-18 funding round is currently oversubscribed. In accordance with Education Code Section 47614.5 (b), the Authority will have to disburse available funds on a pro-rata basis. Due to this provision, the funds needed to award the APS will reduce other applicant's awards. As shown in the table in Exhibit A, if the APS are found eligible for funding consideration, other applicants' awards may decrease by 0.75% to 0.94%, depending on certain assumptions.*

Recommendation: Staff recommends denial of the appeal on behalf of APS based the currently projected oversubscription of the Program.

Attachments:

- Exhibit A - Analysis of APS awards and their impact on the oversubscribed Program
- APS Appeal Letter dated June 26, 2016
- Late Applications Memo approved by the Board on August 10, 2016

Exhibit A

School	CDS Code	2017-18 Rent Costs	75% of Facility Costs	2016-17 P-2 ADA per CDE	ADA x \$1,117	2017-18 Award	Potential Award
PREPA TEC - Los Angeles	19647330127936	\$412,320.00	\$309,240.00	409.07	\$456,931.19	\$309,240.00	\$456,931.19
Prepa Tec Los Angeles High	19769920133900	\$324,000.00	\$243,000.00	106.15	\$118,569.55	\$118,569.55	\$118,569.55
Academia Moderna	19647330120097	\$580,231.32	\$435,173.49	451.43	\$504,247.31	\$435,173.49	\$504,247.31
TOTAL Award						\$862,983.04	\$1,079,748.05

(a) 2017-18 Eligible Applicants (as of 8.1.17)	416	
(b) Total funds needed to award all eligible applicants (as of 8.1.17)	\$114,401,136.85	
	Actual	Potential*
(c) Amount of funds needed to award APS Schools:	\$862,983.04	\$1,079,748.05
(d) Total funds needed with APS Schools (b + c)	\$115,264,119.89	\$115,480,884.90
Each eligible applicant's award will be decreased by: ([d – b] ÷ b)	0.7543%	0.9438%
On average eligible applicants' awards shall be lowered by: (c ÷ a)	\$2,074.48	\$2,595.55

Note:

- **Actual** - Award amounts based on costs currently received by the Authority
- **Potential** - Award amounts based on the maximum award the school could receive if additional other costs were submitted to the Authority



June 26, 2017

Board of Directors

Katrina Johantgen, Executive Director
California School Finance Authority ("CSFA")
915 Capitol Mall, Suite 516
Sacramento, CA 95814

Dear Honorable Members of the CSFA Board and Ms. Johantgen:

On behalf of Alta Public Schools ("APS") and our 1,000+ hardworking students and their families in Los Angeles, I humbly submit the enclosed application for funding under the Charter School Facility Grant Program for the 2017-18 school year for Academia Moderna Elementary School, Prepa Tec Los Angeles Middle School, and Prepa Tec Los Angeles High School.

APS is a California nonprofit public benefit corporation that operates three successful charter schools in Southeast Los Angeles. Our schools are located in communities with high rates of crime, violence, and poverty, and where opportunities and choices in education are rare. Over 95% of our students across all three schools are classified as socioeconomically disadvantaged. Despite these challenges, APS has created centers for higher learning that are safe where students learn to exceed expectations, learn responsibility, and prepare themselves for college and/or career.

Part of our schools' success depends greatly on our participation in the Charter School Facility Grant Program. Academia Modern and Prepa Tec Los Angeles Middle School have participated in the Program each year since they opened, and we intended to apply for funding for all three schools for the 2017-18 school year. You may recall at the February 8, 2017 CSFA Board meeting, I appeared on behalf of APS and spoke to the Board regarding the issuance of Charter School Revenue Bonds to finance the construction of our new middle school facility. We are very thankful for the Board's unanimous vote to authorize the issuance of the bonds, but Charter School Facility Grant Program funding is vital to our plans for the facility.

We understand the application deadline for this round of funding was June 1, 2017, but pursuant to California Code of Regulations, title 4, section 10170.5(f), the CSFA may waive procedural defects in the submission of an application for funding, "such as an Application filed past the deadline." APS hereby respectfully requests the CSFA do so here. The loss of funding, which we were expecting to receive as we have each year since 2010, would be devastating to all three schools and could potentially mean the end of our plans for the new middle school facility.

I apologize for taking your valuable time to ask, but we would greatly appreciate if the CSFA waives the deadline here and accepts our application for consideration in the first round of Program funding. We are on the agenda for the July 12, 2017 meeting to discuss the modification to the project cost for the middle school project, so we request that Ms. Johantgen add this matter to the agenda as well.

Thank you in advance for considering our situation, and I am available to answer any questions.

Very truly yours,

A handwritten signature in black ink, appearing to read "Ervin E. Reed III", followed by a horizontal line extending to the right.

Ervin E. Reed III
Director of Finance, Alta Public Schools

MEMORANDUM

Staff Summary No. 4

Date: August 10, 2016

To: Members of the California School Finance Authority

From: Katrina Johantgen, Executive Director

Subject: Approving Policy Recommendation for Charter School Facility Grant Program (SB740) Late Application Submission

Background: The California School Finance Authority (Authority) has administered the Charter School Facility Grant Program (Program) since its transfer from the California Department of Education in the 2013-14 Governor's Budget. Since the programmatic transfer occurred, the Authority has both developed internal polices and implemented regulations in an effort to improve its oversight of the Program, provide consistency for applicants, and ensure statutory requirements are met. The Authority also has strived to ensure the schools served under the Program are kept informed of all programmatic deadlines, and has worked towards improving ease of access to the Program application, as evidenced by the launch of the new Online Application for the 2016-17 funding round.

Section 10170.5(a) of the Program regulations provides that applications are due to the Authority five weeks from the date the application is made available. The Authority received, and the Board approved, eight late-application appeals in 2013-14, 23 in 2014-15, and zero in 2015-16. Pursuant to Section 10170.10(d), late applicants have the right to appeal findings of ineligibility to the Authority Board, as regulations prohibit staff from accepting late applications. However, Section 10170.5(f) was recently added to our Program regulations and states that "the Authority may waive procedural defects in the submission of an application, such as an application filed past the deadline". This provision was added to allow the Board to grant appeals to late applications.

Issue: The Authority received two late paper applications for the 2016-17 funding round. In light of the launch of the Online Application submission errors or delays, and based on recent Board discussion regarding late applications, staff would like to memorialize its process for vetting late applications at the staff level rather than requiring late applicants to bring their appeals to the Board for a determination.

At its September 2015 meeting, the Authority Board directed staff to develop a new process to address the ongoing receipt of late applications under the Program and the number of appeals coming to the Board. The Board directed staff to consider its previous actions related to late applications, namely its approval of such applications on two conditions: 1) the applicant met all other programmatic requirements, and 2) funding capacity was available under the Program. The Governor's 2016-17 budget funded the Program at \$112 million. Based on recent average daily attendance (ADA) data received from the California Department of Education, total funding requests could reach \$107 million dollars. This results in an estimated \$5 million in Program capacity for the 2016-17 funding year.

California School Finance Authority

To date, based on the Board's directive, staff has implemented the following in an effort to mitigate or greatly reduce the number of late applications under the SB740 Program:

- In April 2016, the Authority introduced an Online Application for the 2016-17 application period.
- In May 2016, the Authority hosted a webinar for charter schools about the upcoming application period which included information about the new Online Application process and noted all relevant due dates.
- Between April 29, 2016 and June 3, 2016, the Authority sent out five ListServ reminders to interested parties stressing the 2016-17 application deadline of June 3, 2016.

Recommendation: Authority staff recommends the following late application policy be in place and presented to the Authority board for approval. The recommendation brought forth to the Board includes acceptance of late applications until October 15th of each fiscal year, when the second application round is due for new schools, pursuant to Section 10170.5(b). In accordance with the September 2015 Board direction, late applications will be accepted when both of the following conditions are met:

1. All other programmatic requirements had been met; and
2. There is funding capacity under the Program.

Staff recommends the October 15th deadline be in place so that Program funds can be disbursed in a timely manner in accordance with Education Code 47614.5(c)(4)(A) and (C). A delay in disbursements could cause a financial hardship on charter schools relying on statutory mandated disbursement of Program funds. Further, the proposed secondary deadline will allow staff to continue to manage Program workload.

Late applications may be found ineligible for Program funds if the Program becomes over-subscribed. Only Applicants who submitted applications by the application deadline pursuant to Section 10170.5(a), and have met all other programmatic requirements are eligible for Program funds awarded on a pro-rated basis pursuant to Section 10170.9(f).

Staff recommends the approval of the late applications currently in-house and under consideration, and any subsequent applications that are received prior to the October 15 deadline. The adoption of a late application policy would deem these applications eligible for funding consideration, and no formal appeal from schools would be necessary for Board review.