

Staff Summary Item No. 7

Date: August 3, 2017

To: Members of the California School Finance Authority

From: Katrina M. Johantgen, Executive Director

Subject: Resolution No. 17-23 Approving Final Awards and Authorizing the Disbursement of Funds under the Thirteenth Funding Round of the State Charter School Facilities Incentive Grants Program (CFDA #84.282D)

Resolution 17-23 grants approval of the final award of grant funds to the top ranking applications in line for a grant award; allowing the Executive Director the ability to take the steps necessary to execute the grant agreements and disburse the grant funds; and make awards to alternate applications as applicable, in the event program funds become available. The thirteenth funding round applicants, and potential awardees and alternates, are shown in Exhibit A attached hereto.

Background: On behalf of the State of California, in 2004, the California School Finance Authority (Authority) received a five-year \$49.25 million grant from the U.S. Department of Education for a State Charter School Facilities Incentives Grant Program (Federal Program). In 2009, the Authority was awarded a second five-year grant in the amount of approximately \$48.5 million for the Federal Program. In 2014, the Authority applied for and was awarded a third five-year grant in the amount of \$50 million for the Federal Program. The Authority will award approximately \$12 million in funding in the thirteenth funding round.

The Federal Program is intended to provide financial assistance to California charter schools based on demonstrated need. The Authority uses a 110-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 schools 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; and 4) Zero or 20 points for first time awardees based on whether the applicant charter school has received an award under any previous funding round.

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, 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, and applicants were charged with providing staff with documentation demonstrating the charter school is a non-profit entity or operated by a non-profit entity.

The following steps were taken to process Federal Program applications:

1. Program Eligibility: Staff evaluated applications for Federal 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. Staff also verified that applicants were free of any conflicts of interest, as well as vetted applicants' legal status questionnaire responses.
2. Charter School Facility Grant Program Eligibility: Per requirements that federal funds supplement and not supplant State funds, staff evaluated if applicants were eligible for the State Program. If an applicant is eligible for both the federal and state program, applicants must be funded out of the State Program rather than the Federal Program.
3. 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 2016-17 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.*
4. 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.
5. Non-Profit Points: Applicant charter schools that demonstrated they, or their operator, are 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.
6. 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 Federal Program awardees to assign preference points in this category.
7. 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

Federal Program regulations, Authority staff sent out letters to chartering entities requesting verification of charter compliance and good standing.

8. **Notification of Preliminary Point Assignment:** Notification has been provided to applicants regarding their eligibility as well as their preliminary preference point assignments.

2017 Funding Round: Applications for this funding round of the Federal Program were due to the Authority no later than April 21, 2017, and the Authority received 126 applications, with funding requests totaling over \$110 million. Below we have highlighted information regarding eligibility and the award process under this funding round:

1. The Authority received 41 more applications over last year's funding round, from 85 in 2016 to 126 applications in 2017.
2. Public outreach efforts were continued from previous rounds to ensure schools applied to the correct program – state versus federal. Education outreach efforts included hosting a detailed webinar prior to the application deadline, in which Authority staff discussed program eligibility, preference point award process, eligible costs, and the interplay between the federal and state programs.
3. The application deadlines for the state and federal programs were scheduled relatively close to one another in order to allow staff adequate time to analyze from which program schools should receive facility funding.
4. As 2016-17 Average Daily Attendance (ADA) and Enrollment data from California Department of Education (CDE) was available, staff calculated awards for schools under both programs using the most current data.
5. Staff reviewed executed 2017-18 lease agreements (when available).
6. Each eligibility and preference point determination was peer reviewed.
7. Preference Point Letters were sent to all eligible schools, including potential alternates.

Recommendation: Staff recommends members of the California School Finance Authority Board adopt Resolution 17-23 approving staff's funding recommendations contained in Exhibit A of Resolution 17-23. Approval of Resolution 17-23 also authorizes the Executive Director to execute the grant agreements and disburse the funds on behalf of the Authority, as well as make awards to eligible alternates.