

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

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**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 policies 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 15<sup>th</sup> 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 15<sup>th</sup> 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.