

## MEMORANDUM

**Date:** October 11, 2017

**To:** Members of the California School Finance Authority

**From:** Katrina M. Johantgen, Executive Director

**Re:** Resolution 17-27 – Approving Amendments to Regulations for the Charter School Facility Grant Program and Authorizing the Emergency Rulemaking Process

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The Governor's approval of the 2017-18 Budget included modifications to the Education Code 47614.5 (b)(1)(B) which increased funding per unit of Average Daily Attendance (ADA) under the Charter School Facility Grant Program (Program). Due to Program modifications, increases in facility costs and a greater number of Program applications, staff projects that the Program will be oversubscribed.

Staff presents the following regulation changes that clarify the pro rata share formula as well as set forth how the Program will be disburse funds during oversubscribed funding rounds. The immediate implementation of the proposed emergency regulations will allow Authority staff to disburse 2017-18 funds utilizing the pro rata share calculation set forth in the proposed regulation changes.

**Proposed Regulations Changes:** The following are the proposed changes to Program regulations needed to implement the proration described above:

### **Section 10170.2 Definitions.**

Section 10170.2 (e) and (h) - Amendments to this section set forth definitions of key terms used in the regulations, adding a new definition for "Average Daily Attendance Cap" (ADA Cap) and "Cost Of Living Adjustment Index" (COLA Index). This amendment is necessary as it provides clarification to how the ADA portion of the award shall be determined and is based on Education Code 47614.5 (b)(1)(B). The new definitions expanded the index to end with the letter (q).

Section 10170.2 (p) – Amended the title of Invoice Expenditure Report to be consistent with application form.

### **Section 10170.3. Eligible Applicant.**

Section (d)(2) – The amendment corrects a typographic error; the strikethrough period is to be replaced with the underlined comma in the section. The Authority is requesting this non-substantive grammatical correction to existing text.

Section (f)(1)(a)(b) and (c) – The amendment corrects a typographic error; the small (a),(b) and (c) should be capitalized (A),(B) and (C) in the section. The Authority is requesting this non-substantive grammatical correction to existing text.

#### **Section 10170.4 Eligible Costs.**

Section 10170.4 (a)(1)(A) and (B) - Added to clarify the reimbursable amount of increased rent or lease costs and to ensure new facilities are at or below market rate. These amendments are necessary to discourage inflated lease or rent costs and ensure a fair distribution of funds to all eligible grantees.

Section 10170.4 (d) - Added to comply with Education Code 47614.5 (b)(1)(B) which changed the amount per unit of ADA.

#### **Section 10170.9 Apportionment of Grant Funds.**

Section 10170.9 (f) - In accordance with Education Code Section 47614.5 (b), the Authority will have to disburse available funds on a pro-rata basis. Amendments to this section are necessary to provide a comprehensive disbursement schedule for pro rata share disbursements and to establish additional requirements for schools because of the pro-rata share process.

Section 10170.9 (f)(1) - Added to clarify how the pro rata share is calculated and applied to each Grantee's annual award. The intention of the pro rata share is to distribute the funds equally among the eligible schools. All schools shall receive the same percentage of funds in relation to the total award calculator. For example, if the pro rata share calculation is 80%, all eligible schools would receive 80% of their total Program award.

Section 10170.9 (f)(2) - The schools shall continue to receive three apportionments as governed by Education Code(c)(4)(A)-(C). Added to ensure each applicant is not overfunded, the pro rata reduction will be based on the Maximum ADA Cap Award for each eligible applicant (applicant's ADA x \$1,117). For funding round 2017-18 the pro rata reduction for each award will be calculated by dividing the total appropriation of \$112.4 million by the total amount necessary to fund all eligible applicants' Maximum ADA Cap Award to come up with a percentage (pro rata percentage). The percentage will be applied to all applicants' Initial and Second Awards. The Final Apportionment shall be the remaining balance of the Final Fiscal Year Entitlement pro rata share.

Section 10170.9 (f)(3) – Added to ensure First Year charter schools remain eligible throughout the funding round, Charter Schools with no Prior Year enrollment data will use the free or reduced priced meal eligibility (FRPM) Period 1 FRPM certified by the Department of Education (Department) as the per unit calculation.

Section 10170.9 (f)(4)-(6) – The Notice of Eligible Facility Costs shall provide a summary of the Grantee's eligible facility costs and provide them the opportunity to appeal staff's determination. This addition will ensure the pro rata share is calculated correctly and allow the Authority to securely exhaust all Program funds.

Section 10170.9 (h) - Added to comply with Section 10170.2 (p).

**Section 10170.10. Notification of Grantee; Appeal Process.**

Section 10170.10 (f) - This amendment is necessary as it provides Grantees with extraordinary circumstances to receive a single extension.

Section 10170.10 (g) - This amendment is necessary as it provides clarification on how the eligibility or award notification is determined when the applicant does not meet the deadlines.

**10170.14. Conflicts of Interest.**

Section (a)(3)(B) – The amendment corrects a typographical error: Subsection (A) was mislabeled as Subsection (B). The Authority is requesting this non-substantive grammatical correction to existing text.

**Recommendation:** Authority staff recommends that the Board adopt Resolution 17-27; approving the amended emergency regulations for the administration of the Charter School Facility Grant Program.