

MEMORANDUM

Date: April 11, 2018

To: Members of the California School Finance Authority

From: Katrina M. Johantgen, Executive Director

Re: Use of Charter School Facilities Credit Enhancement Grant Program Award (CDFA #84.354A) – PANACEA Grant Program

In May 2017, the California School Finance Authority (CSFA) submitted a grant application to the United States Department of Education for the Expanding Opportunity Through Quality Charter Schools Program – Grants for Credit Enhancement for Charter School Facilities (CDFA#: 84.354A). CSFA, along with our advisors and stakeholders, collaborated on developing the Project Acceleration Notes and Credit Enhancement Alternatives (PANACEA) program (Program).

In its application, it was proposed that the Program would enhance interim financing to schools that have been granted a Preliminary Apportionment (reservation of funds) to commence rehabilitation of existing school facilities or construction of new permanent facilities through the state's Charter School Facility Program (CSFP). CSFP schools receive program funds at the time of an Advance Apportionment to pay for pre-development costs. However, due to the lack of liquidity at the state level, funds available for early pre-development costs are no longer available. CSFP Schools are, therefore, placed on "unfunded" approval lists and must wait for the state to issue general obligation bonds (GO Bonds). Schools have waited between six to twelve months to receive cash to pay for costs incurred for pre-development. For charter schools, the wait is particularly difficult due to their limited financial reserves. In its application for funding, CSFA also requested that funds be used to enhance bank and other debt instruments for charter school facilities. On September 27, 2017, CSFA was notified of the \$8 million grant award.

As the Proposition 51 funding round has been finalized, and schools awarded Preliminary and Advance Apportionments, CSFA is working on the implementation process for the PANACEA program with stakeholders and lenders. Emergency Program regulations will be brought to the board in May 2018, with the first financing enhanced this summer. CSFA also is in discussion with lenders to enhance bank loans for charter school facilities.