

## MEMORANDUM

## Staff Summary No. 5

**Date:** April 11, 2018

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

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

**Re:** Resolution No. 18-04 Approving Amendments to the Regulations for the State Charter School Facilities Incentive Grants Program and Authorizing the Rulemaking Process

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In 2004, the California School Finance Authority (Authority) was awarded a \$49.25 million grant from the U.S. Department of Education to assist charter schools that demonstrate the most need with their facilities costs including rent/lease, renovation, or purchase. The per-pupil facilities aid grant was awarded over five years to eligible charter schools based on specific award criteria (rounds 1 to 5). In 2009, the Authority applied for and was awarded a second five-year grant in the amount of approximately \$46 million (rounds 6 to 10), with Round 10 awarded in June 2014. In 2014, the Authority applied for and was awarded a third five-year grant in the amount of approximately \$50 million (rounds 11 to 15), and Round 14 awards are anticipated to be made in August 2018. Staff is proposing changes to the regulations that guide the State Charter School Facilities Incentive Grants Program (CSFGP or Program), as described below.

The Authority intends to proceed with the Regular Rulemaking Action and Certificate of Compliance upon the Authority Board's approval of the following proposed amended permanent regulations:

### Section 10176 Definitions

- Clean-up change that is considered non-substantive.

### Section 10177 Eligible Applicant

- Clean-up changes that are considered non-substantive.

### Section 10178 Eligible Costs

- Clean-up changes that are considered non-substantive.
- Correcting an erroneous reference of CSFP to CSFGP.

### Section 10179 Maximum Grant

- Clean-up change that is considered non-substantive.
- Replacing the word "annual" with "total" and adding the word "project" to more accurately represent how awards are calculated.
- Reorganization and rewording of supplement/supplant language for improved flow, readability, and to more accurately reflect how supplement/supplant is calculated.

- Deletion of language which prohibits the Authority from increasing grant agreements beyond initial award amounts.

#### Section 10180 Application Submission

- Clean-up change that is considered non-substantive.
- Addition of the word “determinations” to clearly delineate the action awardees should expect in the timeframe referenced.

#### Section 10181 Content of Application

- Deletion of the term “attachments” and replacing with “supporting documentation” to more accurately reflect what should be included with the application.
- Clean-up changes that are considered non-substantive.
- Addition of a six-month timeline to demonstrate project readiness at time of application to ensure grant funding is awarded to projects who can expend funds within the required regulatory timeframes.
- Additional language included under Davis-Bacon and Related Acts to clearly explain this federal requirement.

#### Section 10182 Evaluation Criteria

- Deletion of the reference to Academic Performance Index as the term is no longer relevant.
- Clean-up changes that are considered non-substantive.
- Addition of the word “standard” and deletion of the word “assessment” to mirror the citations from the California Department of Education.

#### Section 10183 Award Methodology

- Rewording of current language relating to deficiencies to improve readability and clearly identify the Authority’s actions.

#### Section 10184 Approval of Grant and Notification of Subgrantees

- Duplicative language has been removed.

#### Section 10185 Obligation and Expenditure of Funds

- Updated to reflect current federal grant status.
- The six month requirement has been increased to one year for consistency throughout regulations.
- Language was added which imposes a clear penalty for failure to draw down the annual one-third requirement. No previous penalty had been delineated.
- Addition of language allowing the Authority to extend the drawdown requirement on a case-by-case basis.
- A new subdivision has been added that provides the Authority with the ability to increase individual grant awards for lease and Proposition 39 schools if additional funding becomes available.

#### Section 10186 Approval of Grant Use Change

- Duplicative language has been removed.

#### Section 10187 Grant Agreements

- Clean-up changes that are considered non-substantive.

#### Section 10188 Release of Funds

- Clean-up changes that are considered non-substantive.
- The six month requirement has been increased to one year for consistency throughout regulations.
- Language was added which imposes a clear penalty for failure to draw down the annual one-third requirement. No previous penalty had been delineated.

#### Section 10190 Audits and Conflicts of Interest

- Clean-up changes that are considered non-substantive.

**Recommendation:** The Authority recommends the Board adopt Resolution 18-04 approving amendments to the State Charter Facilities Incentive Grants Program regulations. If approved, the Executive Director will initiate the rulemaking file for processing by the Office of Administrative Law, and will distribute the proposed changes to interested parties for public comment.