

## MEMORANDUM

## Staff Summary No. 6

**Date:** January 27, 2022

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

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

**Re:** Resolution 22-03 Adoption of Proposed Emergency Regulations for the Project Acceleration Notes and Credit Enhancement Alternative (PANACEA) Program

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The California School Finance Authority (Authority) is proposing the following changes to the regulations that guide the federally-funded Project Acceleration Notes And Credit Enhancement Alternative Program (Program) (CFDA #84.354A). The Authority is requesting approval of these revisions to ensure funds are distributed timely and ability to administer the Program. Upon board approval, the changes will become part of the emergency regulations once approved by the Office of Administrative Law.

Authority staff will file a Notice of Publication, as required under the Emergency Rulemaking Process, to adopt the proposed changes into amended emergency regulations. The Authority intends to proceed with the Emergency Rulemaking Action and Certificate of Compliance upon the Authority Board's approval of the following proposed amended emergency regulations:

**Section 10200.1. Definitions.** (i) – Add “Financing” and associated definition. Letter former (i) through (k) to (j) through (l) due to the added definition above.

**Section 10200.2. Applicant Eligibility Criteria.** (b) – Remove “and throughout the term of an award” from the subsection. The Authority does not monitor this information throughout the term of the bonds.

**Section 10200.3 Award Allocation and Eligible Use of Program Funds.** (a) – Remove “\$1,000,000 per application” and add “up to maximum annual debt service per Financing, with a maximum award of \$2,000,000”. The grant is intended to fund debt service reserve funds. The \$1,000,000 maximum was intended to have the grant reach more applicants. However, with the recent award of \$20 million and \$10 million in credit enhancement awards, the Authority is recommending that award amounts equal debt service reserve fund requirements.

**Section 10200.4 Application Review and Evaluation Criteria.** (e) – Subsection added to establish an application filing fee. Staff spends a great deal of time reviewing applications for the grants under the PANACEA and other grant programs. The application fee is intended to offset that staff time needed to review applications for eligibility, draft board items, and other grant related documents.

**Section 10200.6 Audits and Conflicts of Interest.** (c) – Additional and modified the first sentence as well as updating the Code of Federal Regulations (CFR) reference to the new relevant section. This change was to better align with the CFR referenced and was vetted by our attorneys as well as outside counsel familiar with the provision.

**Key:** A draft of the Program’s proposed regulations is included in this board packet. Red (e.g., ~~EXAMPLE~~) and blue text with underline (e.g., EXAMPLE) are new proposed additions.

**Recommendation:** Authority staff recommends the Board adopt Resolution 22-03, approving the amended emergency regulations for the administration of the Project Acceleration Notes And Credit Enhancement Alternatives Program. If approved, the Executive Director will include the Resolution demonstrating the Board approval with the rulemaking file to the Office of Administrative Law.