

# **The California School Finance Authority**

Presents:

Fifteenth Funding Round of the State Charter School Facilities Incentive Grants Program

Date: Wednesday, March 20, 2019

Time: 10:00 AM - 11:00 AM PDT

\*\*\*

>> Good morning, and welcome. My name is Katrina Johantgen; I'm the Executive Director of the California School Finance Authority, and this is the start of our State Charter School Facilities Incentive Grant Program. The date is Thursday, March 20, 2019 and the time is 10 a.m. Pacific Daylight Time. If you experience any technical issues during the webinar, please contact GoToWebinar, which is on the second page of the webinar. Live captioning is also available at the web address on page two. We wanted to note, there is a question and answer mode built into the webinar. We will do our best to answer the questions, but questions will be documented and answers will be distributed to all attendees within ten business days, as well as posted on the CSFA web page. Laura Martinez, who is the lead of the Incentive Grant Program, will be conducting the webinar today. She will be covering, giving the Program overview; she will be notifying folks of the changes for Round 15. This is our last round of our third Grant from the federal government under this Program. Laura is going to walk through regulation changes and give folks an update on a new requirement for receiving funds through the state which is a Fi\$Cal form that needs to be submitted and implemented into the system. Laura will be walking through the mechanics of the Program related the to Program eligibility, preference point, maximum grants as well as walking through eligible and ineligible costs and providing detailed information on the Davis-Bacon, or Prevailing Wage, requirement under this Program. With that, I want to turn it over to Laura.

Good morning. As Katrina said, my name is Laura Martinez and I'm the Program lead over the Incentives Grant Program. So as a brief overview, as Katrina briefly mentioned, this is federal funds that we have received from the U.S. Department of Education. This is our third Grant; the first one was awarded in 2004, the second in 2009, and this Grant was awarded in 2014. They are five-year federal grants. We cover rent, and we will talk a little bit about rent and the differences between this and the State SB740 Program; lease costs, mortgage, Prop. 39 pro rata payments. We also cover purchase, construction, and renovation of facilities. This Program is designed to assist schools that demonstrate the highest need and also readiness to jump into the Program, particularly if it's a purchase, construction, or renovation. They are three year awards so we

would be looking for people that are ready to get shovel to the ground within a pretty quick time period. You cannot exceed a 75 percent of your annual eligible facility's cost. So you are going to get 75% of the cost that are submitted and approved. And as Katrina mentioned, this is the final funding round under the Incentives Grant Program. You still will have a three-year grant with the Authority if you are awarded a grant but we will not have a Round 16 at this point in time. We are monitoring the U.S. Department of Education's web site and looking for potential new funding through them and it is most likely if there is one announced the Authority would apply. But for now, just know that this is the last funding round we can guarantee. So I'm going to talk about some changes for Round 15. We have some regulations that are over at the Office of Administrative Law right now being processed and, assuming we have approval, will be in place for Round 15. And some of these are pretty substantial so we want to make sure that you are aware of these changes.

The first one is under eligible applicants. This prohibits any charter school, a charter management organization, education management organization, or any operator or charter school from being for-profit, you must be a non-profit entity. And this is in response to legislation that passed, if you wanted to look up the bill, it is Senate Bill 806. So you could go google that and get all of the information about why this has been implemented. And this will be implemented throughout all our Programs.

The second is the most prominent one for this funding round, and this is under both eligible applicant and maximum Grant awards. Previously, schools that applied for the Charter School Facility Grant Program, otherwise known as SB740, our State Program, could apply to the Incentives Grant Program, and if their costs were high enough, they could receive funds from both the State and the Incentives federal grant Program. We are actually going to be prohibiting that. Schools will have to choose whether they will apply under SB740, the State fund, or under the Incentives Grant, the federal funds. The reason for this is that with the increase in the ADA, or average daily attendance, multiplier, under SB740, we realize that schools who are receiving funds from both Programs were exceeding the regulatory 75% of eligible costs. So basically, you would be getting more funds from both Programs than if you just applied under Incentives, and violating those Program regulations that say you can only get 75% under Incentives. So this is a big change, but we want to make you aware of that. So for rent costs and renovation costs, those are the only eligible costs under SB740 that are allowable under both Programs. You can work with the Authority staff to figure out which would maximize your costs should you apply under SB740. Are you eligible for SB740? Or should you apply under Incentives? But you do have to choose one or the other. This eliminates the supplement supplant scenario that I know that some of the people that are attending this webinar are quite familiar with.

Another change under round 15 for regulations, is we have some clarifying language under evaluation criteria. We have our preference point under school choice, and we have added clarifying language that says “a minimum of 50% of the same grade levels assessed must be met to be given the points.” The language before wasn't as specific. It said “a majority”; “a majority” is open to interpretation, so we are clarifying that and seeing what we are looking for and that will be 50% of the same grade levels assessed. We do anticipate, as I mentioned, that these will be in place for this funding round. The comment period for the regulations is on our web site and is open now. So if you have any comments on that, please feel free to submit them.

Another big change that we have this year, and it's been quite an inhibitor for us getting funds out to schools as timely as we had before is the State as a whole has moved to Fi\$Cal system, that is, the payment system that the State Controllers Office uses. And that is how all entities throughout the State, regardless of whether it is a Grant with the Authority, or a Grant, say at Fish and Game, or wherever it is. That is how payments are made. It is a Statewide system that has been implemented. With that comes a standard form 204. And we want to bring that to everyone's attention now because it has been quite a challenge to get this up and running with schools that are in the system. We have to have this form on file and approved by not only our accounting office, but, most importantly, the State Controller's Office, before we can issue any funds to you. So if there is any discrepancies on the name, if the form is not accepted by the State Controller's Office, we literally cannot issue payment to you until that is resolved. This transition has resulted in some delays for schools. I do know that we have been working diligently with both accounting, the State Controllers and reaching out to our schools via email, phone calls. If we are not getting the forms returned, we'll call the general line and try to get anybody we can. We are getting pretty good at knowing what needs to be done to get this approved, but there are still some surprises. One of the things that want to make you aware of; to see if you have your FEIN, the federal, basically, your taxpayer ID number. That has to match what is on the standard form 204. So you can see on the slide here, if you are a school, we have schools that have a CMO. So if you are under a CMO but doing business as, you can see on the bolded line here, it will look like ABC Charter, Inc., DBA (that stands for “doing business as”) ABC charter school. So those are the big things. We have to have the form. We did have some trouble getting the form from schools. As part of round 15, if you are an awardee, and I also implemented this under round 14, I will not submit your Grant package for signatures to Katrina unless I have that form in hand. That is just part of my process to insure that we have that. I probably am thinking that I will submit it over to accounting well in advance so that we can hopefully have those approved and once the grants are in place, if you are an awardee, start making payments. So the big thing here is just get these forms to us. If we have any corrections that are needed, turn those around really quickly so we can pay you. We don't want to delay any payments to the schools. So this is big changes for Round 15.

I'm going to talk about now your Program eligibility. What do you have to do to be eligible for this Program? You have to; have a charter in place, have to be in good standing with your charter authority, you also have to be in compliance with the terms of your charter. We are looking for classroom-based instruction that is at least 80% classroom-based instruction. You have to have completed at least one year of operation, and that is at time of application. So we did have some questions come up in previous funding rounds. "Well, I'm going to have one year by the time that grants are in place." Regulations are specific that you have to have one year of operation at time of application. So when you submit your application, if you don't have one year of operations, you are ineligible for the Program. Your school must be established pursuant to State and federal definitions of what a charter school is. If you have any questions about that, you can e-mail us and we can get you the specific language for both State and federal. And again, we talked about this; you must be a non-profit entity or affiliated with a non-profit entity. Your school must admit students by lottery if oversubscribed. And I want to spend a little bit of time with this, we are going to be looking at your charter. And we are going to be looking for the specific language in your charter that says you will admit schools by lottery if you are oversubscribed. If that is not in your charter, we cannot fund you. A district-dependent charter school can apply if you can demonstrate operational and financial autonomy from its authorizing district. If you have any questions about that, let us know. There are some specific things that we will be looking for under that. You have to have demonstrated eligible costs; previous or current year may be used. In instance of where previous would be used, we have a lot of times with the Prop. 39 pro-rata payments where we may realize that you may not have your Prop. 39 agreement in place at time of application. You may not have that in place at time of award, we are going to look at prior year costs to determine what your award will be. The one thing to note on that is if your Prop. 39 cost went down when we get your final executed agreement, we will lower your award. We have to go with what your actual costs are.

Must be in compliance with all other Programs administered by the Authority. So you have to be in good standing, so to speak, with SB740 or our Revolving Loan Program, meaning if you get a notice that you owe funds for whatever reason, you need to be paying those back. Or you will not be eligible for this Program. And you cannot be a current subgrantee. Now last year, under Round 14, we changed regulations. It used to be that you could not be a current Grantee at time of application. However, we adjusted our regulations. If you are not a current Grantee at time of Grant award, which is September 1, 2019, you are eligible to apply for this Program. The reason we did that and are continuing with that is that we had schools whose Grant awards would end on August 31 of the year; the funding period begins September 1 but those schools applying in March and April were not eligible. So that left schools without funding for an entire year. It didn't seem in the best interest of the schools, so we are continuing with that, and that is in Program regulations.

All right. This is a preference point driven grant Program. It is a very competitive Program. I should let you know that last year, we had about \$11 million in funding to give out and I had approximately \$109 million of applications submitted; so it is extremely competitive. And it is, grants are awarded based on preference points. There will be 150 total points. I just noticed a little error on the slide. I apologize for that. You can see that Round 14 should actually say Round 15. So apologies. I'll get that changed before we post it on the web page. The biggest category is going to be low income. We will be looking at your Free and Reduced Priced Meals, or your FRPM. The higher your FRPM, the higher the preference points you are going to receive, that is up to 60 points. We are looking to serve low-income, or low-income eligible Free and Reduced Price Meal schools. There is an overcrowding preference point, you will be awarded 0 or 10. A non-profit, 0 or 20 points, so if you are a non-profit, I know I mentioned earlier that you have to be a non-profit to be in this Program per Program Regulations now. But some schools do not have proof of their 501C3. If we don't have that or the other documents that we need you will not be awarded those points. Student performance is up to 20 points. And school choice is up to 20 points. And those are based on the information we get from the California Department of Education. And that, both of those are 0 or 20 for both student performance or school choice. And we also give 20 points to first-time awardees. So if you never received a Grant under this Program, you will get 20 points. I had a couple of questions come up last year where somebody asked me, "Well, I received a Grant. I rescinded it, I became ineligible, am I still considered an awardee?" We view you as an awardee if you have received a payment, even a single payment, under the Grant. If you have not received a payment, you rescinded immediately, we do not consider you an awardee. Also important, if we do not have the data available, points are not assigned. And you can find that in regulations as well.

A little about what your maximum grant you can expect; it is the lesser of the two calculations: for rent, mortgage or Prop. 39 pro-rata payments you will get \$750 per pupil, pardon me; for construction, renovation or purchase you are going to get \$1,000 per pupil. Or, a maximum of 75% of your eligible facilities cost. So it is the lesser of the two calculations, and again the maximum is 75% no matter what it is. We cannot go above 75% of your costs. Your annual awards for rent lease or pro-rata the maximum is \$250,000. So a three-year award you are looking at \$750,000. For rent lease and pro-rata you are going to get 36 equal monthly payments every month from beginning in September, sometimes the very first payment will roll over to October, depending how fast we get Grant agreements back from the schools and everything that we need to sign off on them. But you can expect 36-monthly payments under rent, lease or Prop. 39 pro-rata payments. For construction, renovation or purchase, it is \$500,000 annually up to \$1.5 million award. And for construction, renovation or purchase, you technically can draw down that entire award in the first year if you have eligible costs. You do not have to wait for the end of the three year Grant. One thing to note for purchases, we cannot provide a check to the school, it

will have to go into your escrow account. So if you do get awarded a purchase, we are going to be asking you for the escrow information and \$1.5 million will be going into that account.

So for Round 15, we are looking at approximately \$11 million. I have some analysis I need to do, that may fluctuate slightly. I do not anticipate it going down, but it might potentially go up a little bit. We have to look at who did not spend down all the funds that were given under previous funding rounds, so I do anticipate a minimum of \$11 million. Applications is currently open; it is an on-line application and it is available now. So get your applications in, they are due by April 19 at 5 p.m. The system will shut down automatically at 5 o'clock so if you are in the middle of an application and it is 5:01, you are not going to be able to submit that. So we like to tell people, get their applications in early rather than later. We don't anticipate any technical difficulties but things sometimes happen. So waiting until the last minute is not always in the best interest of anybody. We are looking to make funding determinations in early August, and we will go to the California School Finance Authority board in August, of the August board meeting. Grants under this must be approved by the board first, so we will go with our funding recommendations to the Board and we anticipate Grant Agreements being executed in September. Payments beginning in September or October for the monthly costs. For construction and renovation, those costs are paid in arrears. So the school is going to have to either work with their contractor and allow payments to be made to them after the costs are reimbursed or the school will have to pay for those upfront and the Authority will reimburse them. And the way that we do that is through invoice costs. You will submit an invoice package to us, we will go through it, and we are going to look at Davis Bacon Prevailing Wage, which we'll talk a little bit about in a couple of slides. And once those are approved, we will get the checks cut. And you can expect a check in typically 4-6 weeks typically. And that all depends on having that standard 204 form in and approved that I talked to, so we can do all of the work here and get your invoices ready to be paid. But if we don't have that standard 204 form approved by the State Controller's Office, we cannot pay you.

Eligible costs. I think we touched on this already, but just to go over it briefly: rent, lease, mortgage, debt service or Prop. 39 pro-rata payments for an existing or new facility (again these are disbursed 36 equal monthly payments), or; purchase, acquisition, design, construction, or renovation of a facility. And those are paid in arrears. These may be used to pay current or future facility costs up to a three-year period. For construction, renovation, purchase, design, it is important to note that we cannot pay you for anything that you incurred, any costs you incurred prior to the Grant being in place. So some people have asked, "Well I have some design costs." No I cannot pay that for you if it happened in July or August. And your grant started in September. If those happened September 1 or later, we would be happy to reimburse you for those. There is a provision that, in regulations, that for construction, renovation, purchase, design you must draw down at least one third of your award annually. So we will be working with you on that, I have a little example a few slides down but you need to be aware that a minimum of one third

of your total award has to be drawn down annually. I think that I have talked about this pretty well already. But construction, renovation, we pay in arrears. The important part here is that every project under this that is awarded construction or renovation is subject to Davis Bacon Prevailing Wage. And it must be paid on the entire project. That is a federal requirement. We are going to be looking for certified wage reports. We do have some samples up on our web site. We developed about a year or two ago a handbook for the construction renovation schools. We can also provide you some examples of what that certified payroll looks like. But we do have to check each and every contractor that worked on this for Davis Bacon Prevailing Wage. Assuming that they are not, you know, administrative or your engineers. It's more the people on the ground doing the construction, your painters, those kind of things. The project as defined by CSFA is what project did you submit to us to be reimbursed? So if you did an ADA for a bathroom. That is the project that we are going to be checking and that is what we are funding you for. That is what goes to the board. So the project be very conscious of what you submit as your project. If you have a \$15 million project, you are getting \$1.5 million from us and you submit that from your project, the entire project, we will be looking for Davis Bacon compliance. And again, the certified labor forms have to be submitted with reimbursement.

Ineligible costs. Touched on this a little bit. Anything that was any cost incurred prior to the Grant begins. Grant begins September 1, 2019. A school district's cost of providing a charter school with a facility. We do not pay overhead or other administrative costs. We are not going to reimburse your CMO for their office time to oversee the Grant. And you may not use this for the Charter School Facility Program (CSFP) payments to satisfy your local matching share under CSFP.

If you are awarded a Grant, we like to give you a little heads up here. There are ongoing Grant requirements you are going to see twice a year. Semi-annual certifications, they are due February 28 and August 31 of each year. That is set in our regulations. If you do not meet those, you are most likely going to lose funding from us. We get those out at least a month in advance. I try to get them out 5-6 weeks in advance to give you a lot of time to work on those documents. But they are due by February 28 and August 31 each year of the Grant. We will be checking if your charter is still current and valid. If your lease is current, executed and valid. Were there any changes? If there were decreases in your lease cost, we are going to decrease your award. We are going to be looking for your audit in February's certification. And we do require what signatures on the certification letter itself but you can e-mail all the rest of the documents to us except for the legal status questionnaire and the certification letter. So those we do require wet signatures on. And another requirement, is that you must be in the System for Award Management or SAM. That is a federal requirement. When we get closer to this funding round, we will send emails out to people who appear to have high enough preference points that they may be receiving an award and we are going to let you know that you should probably sign up for SAM early. We have had schools that have gotten their SAM registration through in maybe

two weeks. I have one school I'm working with right now who has had ongoing communication with SAM for about five months. So it is not guaranteed that it is going to happen quickly. So any potential awardee, we will send that out to you right away. If you see that e-mail please take a few minutes and sign up for SAM so we know that we have that in place. When those e-mails go out, that is not a guarantee of funding. It will say that in the email itself. But we just want to have you as prepared as possible for, if the board approves it, and we have the Grant; we want to be able to start paying you right away. As I mentioned, a failure to meet the certification requirements will result in a loss of funding. That is not my favorite part of my job, is to take funds away from people who we have worked very hard, here, staff and us, to get you an award. So, don't really want to take payments away from you, or funding away from you, so please, if you are awarded a Grant, get those certifications in early. Failure to meet either deadline will result in a loss of your first monthly disbursement. Failure to meet two consecutive certifications, you are going to lose six months total. I'm sorry, if you fail to meet two months in a row, for contacting for two months, you do not respond to us, you will lose six months of payments. If you miss your February and your August certification, you are going to have your award rescinded in its entirety and everything, all funding will return to the Authority. You cannot ask for them back. They revert to us. There are times again where if you can document that you have been working with SAM, you can show us that you have been working with your authorizer to get your good standing letter or your Prop. 39 agreement in place. We do hold the schools harmless for those type of scenarios. Particularly where the Prop. 39 pro-rata comes into play. We know how difficult that can be, sometimes we experience that ourselves trying to work with some. So we will work with you on certain things. But the SAM registration, my staff and I are going to be sticklers. If we have given you plenty of warning and you can't show us emails where you have been trying to work with SAM, unfortunately, we are going to have to, you know, take some funds away from you.

So construction, renovation, purchase, this is pretty basic but I just wanted to put a visual up for what it would look like for that required one third draw-down. If you receive a \$750,000 award from us. Each year, we will be looking to make sure that you spend down a minimum of \$250,000. You can draw down more than that. But if you draw down less than that, those funds will revert to the Authority. We did put a provision in regulations last year where we can do a time extension but it is at the discretion of the Authority and the Executive Director; that is not automatically approved. We do realize that in, particularly in the construction world, permitting delays can come into play, weather, all sorts of different things come into play. So if you have documented and valid reasons for not being able to draw down the one third, you would submit a request for an extension to us. Though, one thing to note is that, even when approved, we cannot extend beyond the three-year Grant period. So we can extend if you didn't draw down the \$250,000 the first year. We can roll that over into the second year and maybe the third year. But at the end of your Grant, in the third year, any unspent funds revert. And that is in our regulations, we cannot

extend beyond that. On that, we also do send reminders out. We let you know, "this is what you have drawn down." "This is what you have left." "This is the date you have to draw it down by." We give you a little heads up. And we do that as a courtesy, so if we happen to forget, there is a no forgiveness for that. It is pretty set. We do try to send out courtesy notices to let you know, hey, you are in jeopardy of losing these funds.

All right. We are almost there. Thanks for sticking with us. Just a reminder, the application is open now. And it closes April 19 at 5 p.m. Late applications will not be accepted. You can visit our Program Regulations, our FAQs and our webinar presentation. We'll post them. Right now if you go to our web site, you'll see last year's webinar and FAQs, that will give you some idea of the common questions that are asked. But I will update them once this has been approved. Also for those of you looking for the State SB740 Program, their webinar is going to be held Wednesday, May 15 at 10 a.m. They expect their application to be released in late April and due in May. So be on the lookout for that. On the CSFA web site, we do have a ListServ that you can sign up for. I encourage you each to do that if you are not already on there. That is how we submit, or get information out on webinars, funding applications, anything important to the authority that you need to know.

And the last page, this is the team here. We do have offices in Sacramento where I am located and also in Los Angeles. Katrina Johantgen, our Executive Director is in the Los Angeles office, Jose Franco is in the Los Angeles office, and myself and Jodie Jones we are in the Sacramento office. You can contact any of us for questions you might have. We are here to help you, we work with schools on a daily basis on some issues that have come up, and there have been some very complicated issues lately so we are here to help you. Don't hesitate to reach out to us. Even if you are not a Grantee, if you have any questions about the upcoming funding round that we didn't answer, please give us a call. And that is it from me.

>> Thank you, Laura. Thank you to all of the attendees. And as Laura mentioned, please reach out to us with any questions related to this grant or any of our other Programs.

>> That concludes our webinar. Thank you, everybody.