

MEMORANDUM

Staff Summary No. 10

Date: April 25, 2024

To: Members of the California School Finance Authority

From: Katrina M. Johantgen, Executive Director

Re: Adoption of Proposed Amendments to the Regulations for the Charter School Facilities Credit Enhancement Grant Program (CFDA #83.354A)

Background: In June 2023, the California School Finance Authority (Authority) applied for a grant award through the federally-funded Charter School Facilities Credit Enhancement Grant (CFDA #84.354A). The Authority was awarded a \$20 million grant award in Fall 2023. Per the Authority's application to the Department of Education, the Authority is proposing that \$15 million of the grant award be allocated to the Authority's Charter School Facilities Credit Enhancement Grant Program (Program) to fund debt service reserve accounts associated with debt issued through the Authority. The remaining grant balance of \$5 million will be used for a new lease guarantee program, which is still in development. Should the demand for the lease guarantee component not manifest, the Authority will allocate a greater share or the entirety of the remaining grant to fund debt service reserve accounts. As existing grant funds continue to be committed to debt financings, the Authority is bringing these regulations changes to deploy these grant funds to enhance debt financings issued by the Authority. A subsequent or revised set of regulations will be brought to the board once the lease guarantee concept is ready for board approval.

Issue: The Authority is proposing the following changes to its existing credit enhancement grant program regulations to ensure consistency across other programs as well as account for the new \$15 million award. The Authority is requesting approval of these revisions to ensure federal compliance, timely disbursements, and the ability to properly administer the Program. Upon board approval, the changes will become part of the permanent regulations once approved by the Office of Administrative Law (OAL).

A summary of the revisions from each section within the proposed regulations is highlighted below:

1. **Section 10193. Definitions.** (g) – Add “Financing” and the associated definition. Label former subsection (g) to (h) due to the added definition above.

Reference – Remove “and 47600 et seq.” and add “47604, 47604.1, and 47604.2,” per OAL on References updated in similar regulatory sections.

2. **Section 10194. Applicant Eligibility Criteria.** (a) – Remove “and throughout the term of an award” from the subsection. The Authority does not monitor these criteria throughout the term of the grant.

Reference – Remove “and 47600 et seq.,” and add “47604, 47604.1, and 47604.2,” per OAL on References updated in similar regulatory sections.

3. **Section 10195. Award Allocation and Eligible Use of Program Funds.** (b) – Remove “\$1,500,000 per Application” and add “up to maximum annual debt service per Financing, with a maximum award limit of \$2,000,000”.
4. **Section 10196. Application Review and Evaluation Criteria.** (e) – Subsection added to establish an application filing fee. Staff time, compliance reporting, and resource costs are recouped through the application fee.
5. **Section 10198. Audits and Conflicts of Interest.** (c) – Additional and modified the first sentence as well as updating the CFR reference to the new relevant section. This change was to better align with the CFR referenced and was reviewed by counsel.

Proposed Regulations Key: A draft of the Program’s proposed regulations is included behind this summary in the board packet. Crossed red text (e.g., ~~EXAMPLE~~) are proposed removals and underlined blue text (e.g., EXAMPLE) are proposed additions.

Recommendation: Authority staff recommends the Board adopt Resolution 24-18, adoption of proposed amendments to the regulations for the Charter School Facilities Credit Enhancement Grant Program. If approved, the Executive Director will include the Resolution demonstrating the Board approval with the rulemaking file to the Office of Administrative Law.