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INTRODUCTION

The Authority is submitting this Application for a grant under the Expanding Opportunity Through Quality Charter Schools Program - Credit Enhancement for Charter School Facilities Grants Program (CFDA#: 84.354A). The Application is organized around the six relevant elements (A through F) specified in Part 2.a. Content and Form of Application Submission, in Section IV Application and Submission Information, in the Application Package and Notice Inviting Applications for New Awards for Fiscal Year (FY) 2019 (Notice). CSFA has a demonstrated record of efficiently and prudently optimizing federal grant awards to benefit California's charter school community through state matches, leverage opportunities, and programmatic safeguards to protect public funds, and will apply the same strategy for its proposed "Charter Access to Bank Loan Enhancement" (Charter ABLE) program described herein.

In 2018, the California School Finance Authority (CSFA or Authority) established the Charter School Bank Loan Program (CSBLP), which encourages banks and other financial institutions to make low-cost loans to charter schools seeking financing for working capital, permanent facility acquisition or renovations. Since the establishment of the Program, CSFA has issued two bank loans totaling \$ [REDACTED] (M), each with a maturity of five years.

For this grant application, the Authority is seeking to create a new program to provide credit enhancement on bank loans made for charter school facility projects. A \$ [REDACTED] grant award will enable CSFA to leverage approximately [REDACTED] loans through the existing CSBLP and continue the Authority's success in facilitating financing of new and refurbished permanent facilities for quality charter schools in California. As the leading provider of financial assistance for charter school facilities in California, CSFA's receipt of this grant would enable the Authority to further its mission of helping high-quality charter schools located in communities in need to gain access to lower-cost permanent facilities.

Under the Authority's existing CSBLP, a qualified charter school (Borrower) enters into a Loan Agreement, by and among the Authority, a participating bank (Bank), and the Borrower. The Bank Loan is made from the Bank to the Authority, and proceeds are lent by the Authority to the Borrower (Authority Loan) for the financing of acquisition and construction of charter school facilities by the Borrower or its agent. The Charter ABLE Program will increase access to lower-cost capital and reduce overall borrowing costs for

charter school borrowers.

Authority Loans guaranteed under the Charter ABLE Program would assist charter schools in financing the acquisition, renovation, or construction of charter school facilities, including predevelopment costs, when applicable. The Authority Loans enhanced by the Charter ABLE Program could have a maturity exceeding seven years, but the Reserve established under the Charter ABLE Program would be fully released not later than the seventh year in order to accomplish the intended recycling of the grant funds.

Our proposed guarantee program is modeled after the successful California Capital Access Program (CalCAP), which is run by the California Pollution Control Financing Authority (CPCFA) to assist California small businesses. CPCFA and CSFA are both financing authorities chaired by the California State Treasurer and administered by the State Treasurer's Office. In operation since 1994, the CalCAP program encourages banks and other financial institutions, which are domiciled or with a principal office in the State of California, to make loans to small businesses that have difficulty obtaining financing. The primary CalCAP model is a loan loss reserve program that may provide up to 100 percent coverage on losses as a result of certain loan defaults. A lender may be more comfortable extending credit with CalCAP portfolio support.

The Charter ABLE Program will differ from the above model by focusing on not-for-profit charter schools and the costs of their facilities. Even so, the Authority will benefit from the experience of the State Treasurer's Office and CPFA, gained from 25 years of CalCAP success in lowering costs and increasing access to bank loans.

PART A - PROGRAM DESIGN AND ACTIVITIES

I. Proposed Use of Credit Enhancement Grant Funds

Guaranteeing Facilities Loans for Charter Schools:

The grant funds will be deposited in a Loan Loss Reserve Fund (Reserve), invested in accordance with the grant's requirements, and pledged as a limited guarantee for debt service on Authority Loans. These loans are made between the Authority and participating charter school Borrowers, using the proceeds of Bank Loans made between the Authority and financial institutions (Banks). The purpose of the loans is to assist in financing the acquisition, renovation, or construction of charter school facilities, including predevelopment costs, when applicable. Each Authority Loan participating in the Charter ABLE program would have access to a predetermined Reserve amount based on limits established in regulations and specified in the program Application.

Repayment of Charter ABLE Loans:

Repayment of the Authority Loans in the Charter ABLE program would come from the monthly state revenue payments to be received by a Participating Charter School, which also will be required to participate in the Authority's Intercept Program. The Intercept Program allows for Participating Charter School to agree to have the State Controller direct a specified amount of the Participating Charter School's monthly state revenue payments toward payment of scheduled monthly principal and interest payments on the Authority Loans.

If there were an unanticipated delay in receipt of sufficient state revenue payments to the Participating Charter School Borrower, the specified level of guarantee funds in the Reserve would be available to make up the deficiency of the scheduled monthly payment for the Authority Loan. In this event, the Intercept Program also would require the State Controller to add any such deficiency to the subsequent scheduled transfers until no such deficiency remains for the Borrower. When the delay was "cured" and sufficient state revenues payable to the Borrower were available, these available revenues would be used to replenish any Reserve funds already used to make all or a portion of any previous scheduled payment for the Authority Loan.

The Authority intends to create additional leverage in the Charter ABLE program by allowing for a full or partial release of the pledged portion of the Reserve if the Borrower's on-time payment record and actual monthly debt service coverage ratios exceed specified benchmarks. Although these benchmarks will be finalized through the regulatory process and applied during the negotiation of terms for each Authority Loan, below are illustrative benchmarks under consideration:

- 1) The Reserve funds could be released at a rate commensurate with a seven-year amortization of principal balance, thereby declining over time until they reached a zero balance.
- 2) At a higher coverage ratio (e.g., actual revenues at or exceeding 200 percent of monthly debt service, or 2 times coverage) the Reserve funds could be released following 18 consecutive months meeting this debt service coverage ratio (DSCR);
- 3) At a standard coverage ratio (e.g. actual revenues at or exceeding 150 percent of monthly debt service, or 1.5 times coverage) the Reserve funds could be released following 24 months of a Borrower meeting this DSCR.

The subsequent "release" of that Authority Loan's portion of pledged funds in the Reserve will allow the funds to be recycled by the Authority to guarantee future Authority Loans for the same purpose, thereby creating additional leverage for new benefits from the same grant funds.

II. Proposed Preliminary Terms of the Charter ABLE Program

The table in Exhibit A.1 below, summarizes the proposed preliminary terms of the Charter ABLE Program, including how the Program will align its evaluation and award process to the priorities cited in the Notice.

Exhibit A.1 Preliminary Terms of Charter Access to Bank Loan Enhancement (Charter ABLE) Program	
Program Sponsor	The California School Finance Authority (CSFA)
Governing Statutes	Education Code sections 17170 through 17199.5 (CSFA Act).
Governing Regulations	CCR, Title 4, Division 15, Article 3.
Beneficiaries	Eligible applicants that have been verified to meet the definition of “charter school” in Section 4310 of the ESEA.
Charter ABLE Program Proposed Preference Priority Structure	The Authority’s Charter ABLE Program will be designed to address the federal preference priorities. Where applicable, awards under the Charter ABLE Program will include an assignment of preference points to eligible Charter School applicants based on relevant factors described below:
Alignment with Federal Preference Priorities Competitive Preference Priority 1	CSFA’s awards under the Charter ABLE Program will include an assignment of preference points to eligible Charter School applicants based on: (1) Traditional schools identified for improvement, corrective action or restructuring under Title I of ESEA as amended by the Every Student Succeeds Act in the geographic region of the applicant

Exhibit A.1 Preliminary Terms of Charter Access to Bank Loan Enhancement (Charter ABLE) Program	
Competitive Preference Priority 1 (continued)	(2) State academic assessments of students compared to those attending traditional schools in the geographic region of the applicant (3) Number of low-income students qualifying for Free and Reduced Price Meals
Alignment with Federal Invitational Priorities <i>Invitational</i> Competitive Preference Priority 1	(1) Spurring Investment in Opportunity Zones (a) Services targeted to Opportunity Zones. (i) The Authority will encourage Charters constructing a new facility or rehabilitating a facility in an Opportunity Zone census tract to apply. See [Appendix X] for the list of California’s designated Opportunity Zones for these census tracts. (ii) In the event that applications would exceed Charter ABLE Program capacity, priority will be given to applications involving facilities in an Opportunity Zone.
<i>Invitational</i> Competitive Preference Priority 2	(2) State Support for Charter Schools (a) High-Quality Charter School Authorizing The State of California demonstrates support for high-quality charter school authorizing by its results – it was the second state to authorize charter schools and now has the largest charter population in the nation.

Exhibit A.1

Preliminary Terms of Charter Access to Bank Loan

Enhancement (Charter ABLE) Program

<p>Invitational Competitive Preference Priority 2 (continued)</p>	<p>(b) Number of Educational Choices through Charter Schools</p> <p>The State of California continues to see growth in the number of educational choices for students since 1992, when California became the second state in the nation to adopt a charter school law. There has been steady growth of charter school enrollment in California. The State now has the largest charter school segment in the US, both in the number of schools and charter school students enrolled. As of the 2017-18 academic year, California was home to more than 1,200 charter schools with over 620,000 students. (CDE statistics)</p> <p>(c) At Least One Authorized Public Chartering Agency Other Than a Local Educational Agency (LEA), or an Appeals Process</p> <p>The State of California allows Charter Schools to be authorized by an LEA, a County Offices of Education (COE) or the State Board of Education (SBE). California law allows a charter applicant denied by a local school board to appeal to a COE and then to the SBE. As cited in “Getting Down to Facts II”, published in Fall 2018, 87 percent of charter schools in California are authorized by LEAs, with COEs and SBE authorizing 11 percent and 2 percent, respectively. Although all LEAs and COEs in California are designated as potential charter school authorizers, only about one-third (294/1,024) of LEAs currently authorize charter schools, along with most (41/58) COEs.</p>
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Exhibit A.1

Preliminary Terms of Charter Access to Bank Loan

Enhancement (Charter ABLE) Program

<p>Purpose of Participating Authority Loans</p>	<p>Federal Grant funds would be deposited in a Reserve account, and pledged as guarantee for payment of principal, interest, and related costs (subject to specified limits) of Participating Authority Loans made for the following purposes:</p> <ul style="list-style-type: none"> ▪ Financing the acquisition (by purchase, lease, donation, or otherwise) of an interest (including an interest held by a third party for the benefit of a Participating Charter School) in improved or unimproved real property that is necessary to commence or continue the operation of a Participating Charter School. ▪ Financing construction of new facilities, or the renovation, repair, or alteration of existing facilities, necessary to commence or continue the operation of a Participating Charter School. ▪ Financing predevelopment costs required to assess sites and to commence or continue the operation of a Participating Charter School.
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Exhibit A.1 Preliminary Terms of Charter Access to Bank Loan Enhancement (Charter ABLE) Program	
Term of Repayment	<p>The Authority Loans in the Charter ABLE Program could have a maturity over seven years, but the Reserve established under the Charter ABLE Program would be released not later than the seventh year in order to accomplish the intended recycling of the grant funds. Interest rates and transaction costs would vary based on underlying market conditions, the credit-worthiness of the Borrower, the size and duration of the Authority Loan, and debt service coverage ratio (DSCR), among other factors. Any Authority fees would be reasonable, designed to offset costs or otherwise support the program, and within or below existing ranges for similar programs based on standards adopted in regulations.</p>
Source of Repayment	<p>Repayment of the Authority Loans in the Charter ABLE Program would come from the monthly state revenue payments to be made to a Borrower. The Borrower will be required to participate in the Authority’s Intercept Program, which requires Borrowers to have the State Controller direct a specified amount of the Borrower’s monthly state revenue payments toward scheduled monthly principal and interest payments on the Transaction. The Borrower’s revenues subject to intercept are the State’s Principal Apportionments made from the State School Fund (LCFF Grants) and Proposition 30 Education Protection Account (EPA).</p>

Exhibit A.1

Preliminary Terms of Charter Access to Bank Loan

Enhancement (Charter ABLÉ) Program

<p>Priority of Payments</p>	<p>Intercept payments are expected to be senior to all other obligations of a Borrower with the exception of specific offsets for funds owing to the State. These offsets include, but are not limited to, the following: Charter School Revolving Loan (Education Code Section 41365), Class Size Reduction (Education Code Section 52124); Audit Repayment (Education Code Sections 41341, 41344); and Accounts Receivable (Government Code Section 12419.5), in addition to other possible authorized or required offsets, or additional offsets not yet authorized by legislation. The Authority does not anticipate these offsets having a material impact on the repayment resources of any Borrower.</p>
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Exhibit A.1

Preliminary Terms of Charter Access to Bank Loan

Enhancement (Charter ABLE) Program

<p>Security for Loan</p>	<ul style="list-style-type: none"> ▪ Pledge of Charter School’s future state revenues, with State Controller’s Intercept mechanism applied. <ul style="list-style-type: none"> • The State Controller’s revenue Intercept Mechanism (Sections 17199.4 and 17078.57(a)(1)(A) of the Education Code) requires that all payments on Authority Loans are paid directly by the State Controller by scheduled payment dates. The Borrower’s revenues subject to intercept are the State’s Principal Apportionments made from the State School Fund (LCFF Grants) and Proposition 30 Education Protection Account (EPA). In the unlikely event that a Borrower’s Principal Apportionments are insufficient in a given month, the State Controller will be required to intercept the State’s Principal Apportionments in subsequent months until the Borrower’s obligations are current. • If there were an unanticipated delay in receipt of sufficient state revenue payments to the Borrower, the Reserve would be available to make up the deficiency in the scheduled payment for the Authority Loan. When the delay was “cured” and sufficient state revenues payable to the Borrower were available, they would be applied first to replenish any Reserve funds already used to make all or a portion of any previous scheduled payment for the Authority Loan. ▪ Reserve (debt service reserve / guarantee) funded by the Federal Enhancement Grant, subject to the specified limits.
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Exhibit A.1 Preliminary Terms of Charter Access to Bank Loan Enhancement (Charter ABLE) Program	
Proposed Timeline	Receive Award Notification..... Fall 2019 Produce First Draft of Regulations..... Nov – Dec 2019 Produce Final Draft of Regulations Jan – Feb 2020 CSFA Board Approves Regulations..... Feb – Mar 2020 Program Agreement Approval Mar – Apr 2020 Regulations Implemented Apr 2020 Application Posted to CSFA Website..... Apr 2020 Information & Technical Workshops..... Apr 2020 Applications Due to CSFAJune 2020* Staff Recommendations.....Summer 2020* CSFA Board Decision on Applications.....Early Fall 2020* Inaugural Grant Award.....Fall 2020*

* In the event that initial approval applications are below capacity of Program, application process will be continuously open until program capacity is met; upon recycling of funds a new application period will be announced

III. Anticipated Benefits of Charter ABLE Program

Improving Access to Bank Loans for Charter Schools: Access to a guarantee from the Charter ABLE program also widens the potential lender pool by reducing the perceived risk of lending to a Participating Charter School Borrower, since a grant-funded Loan Loss Reserve will be in place to “back-stop” the Borrower’s monthly state revenues as a source of repayment.

Increasing Access to Cost-Effective Financing: Access to a guarantee for the Charter ABLE program also reduces the likely interest rates required by the Banks. Lenders will value the reduction of risk resulting from the grant-funded Loan Loss Reserve Fund. Lenders will likely see additional value in CSFA’s ability to

utilize an intercept mechanism, whereby the specified portion of a Participating Charter's monthly state revenues will be intercepted by the State Controller to pay scheduled debt service, rather than requiring requisition by the Charter School or the Bank. By receiving this federal grant, CSFA will continue to increase access to cost-effective financing opportunities for those potential Participating Charter Schools in California that will approach or have approached Banks but have not yet secured the approvals and/or lending terms they need.

Designed to Be Replicable: Because the Charter ABLE Program is designed to enable the guarantee Reserve funded by the Grant to be released as each Authority Loan is repaid (or sooner under conditions discussed above), the Grant funds will be able to be recycled to support the next "generation" of Charter ABLE loans. In this manner, the Program is designed to replicate itself. CSFA will work with lenders to increase the number that participate in the Charter ABLE Program. Furthermore, the strength of CSFA's expertise and institutional capacity would enable the Charter ABLE program to "scale up" readily in the event that additional grant funds are made available, whether from federal, state, local, or private sources.

Assisting Schools with the Greatest Need: The Notice for this Credit Enhancement grant makes clear the importance of assisting charter schools that serve students with the greatest need. CSFA's Charter ABLE Program has been structured in a manner that complies with the Competitive Preference Priority and the Invitational Priorities cited in the Notice. Exhibit A.1, above, presents information regarding the manner in which CSFA will address these Competitive Preference and Invitational Priorities in the application process and ranking process for the Charter ABLE Program.

CSFA will work with the charter school community and other stakeholders as CSFA develops program regulations that are consistent with the criteria outlined in this Application. As is the case with all charter school financial assistance programs administered by CSFA, the Charter ABLE program regulations will recognize the importance of school choice for schools that are located in or near an area in which a large proportion of schools are: 1) identified for program improvement, corrective action or restructuring; 2) serving students performing below proficient on state testing; and 3) serving low-income students.

IV. Anticipated Performance Measures

The anticipated Performance Measures will be structured to track the Charter ABLE Program’s success at achieving the desired outcomes and benefits. These are summarized in the table in Exhibit A.2, below.

Exhibit A.2 Anticipated Performance Measures of Charter Access to Bank Loan Enhancement (Charter ABLE) Program	
Program Need	<p>Will be measured by tracking actual demand for the program, in terms of number of applicants and total volume of financial assistance requested by the applicants. Initial measurement will be made at the time of the first round of available financial assistance.</p> <p>In the case of second or subsequent rounds (if less than all available assistance is awarded, and/or as funds are “recycled”) the measurements will be made again.</p>
Cost-effectiveness of Program	<p>Will be measured by tracking Charter ABLE program costs, as well as loan fees and interest costs, and comparing these cumulative costs to alternative forms of financing of similar size and duration.</p>
Serving High-need Charter Schools	<p>Will be measured by the degree to which selected applicants score highly in the Charter ABLE Program’s preference points designed to prioritize school choice in the areas of greatest need.</p>

PART B - INVOLVEMENT OF CHARTER SCHOOLS

I. Demonstrated Understanding of the Needs of California Charter Schools

Since 2002 and the inception of CSFA's first charter related program, Charter School Facilities Program, CSFA has proven itself to be an extremely capable entity and has played a crucial role in establishing several robust programs that support charter schools in their efforts to secure adequate school facilities in California. The charter school programs that CSFA oversees have enabled the charter school community to expand educational opportunities in traditionally underserved communities of California. CSFA will utilize the same approach when implementing the Charter ABLE program that it has when developing its other programs. CSFA collaborates with charter school constituents, stakeholders, legal and finance experts as we develop regulations, and provide all stakeholders an opportunity to comment on the proposed program criteria prior to finalizing regulations. Once the CSFA board has approved regulations, they are distributed to interested parties for a 45-day public comment period. Based on an assessment of all public comments and potential revisions to the proposed regulatory language, the rulemaking file may be re-distributed for an additional 15-day public comment period before CSFA members adopt the final version of the text. This process ensures consensus from the charter school community and the schools CSFA serves.

II. Support from the California Charter School Community

The success of CSFA in creating and expanding financing opportunities for California's charter schools is a direct result of the high level of involvement that the charter school community has had in the program creation and implementation process. CSFA, lawmakers, charter school stakeholders, and capital market participants work collaboratively as programs are developed and refined, and funds are disbursed. CSFA staff will continue this level of engagement as it implements the Charter ABLE Program.

CSFA has disbursed over \$ [REDACTED] in charter school funding since 2002 through the following programs: 1) the State's \$ [REDACTED] Charter School Facilities Program; 2) the [REDACTED] federally-funded State Charter School Facilities Incentive Grants Program; 3) the \$ [REDACTED] Charter School Facilities Credit Enhancement Grant Program; 4) the [REDACTED] (annual) Charter School Facility Grant Program; 5) the \$10M (annual) Charter School Revolving Loan Fund; 6) the Conduit Bond and Note Program, which has issued approximately [REDACTED] in tax-exempt and taxable bonds; and 7) the Bank Loan Program, which has issued approximately [REDACTED]

The development of CSFA programs has been consistent and effective, as a result of early and thorough engagement with the charter community on program criteria and design. In further evidence of this support, CSFA has provided support letters from the following, which includes public officials, charter school associations, stakeholders, and management of high-quality charter school organizations. Letters were provided by the following.

- California State Treasurer's Office,
- Charter Schools Development Center,
- California Charter School Association,
- ExEd, a back office provider for California charter schools,
- Knowledge is Power Program (KIPP) Public Charter Schools,
- Alliance College-Ready Public Schools,
- Umpqua Bank, and
- Pacific Charter School Development.

All letters are provided as Attachment A.

**PART C – THE AUTHORITY’S EXPERTISE & CAPACITY IN
FINANCING AND GUARANTEE PROGRAMS**

The Authority has gathered a team of professionals that bring a wide range of expertise in the area of capital market financing, with specific and unique charter school facilities financing experience. Team members are drawn from state agencies, including senior professionals from the Authority, the State Attorney General's Office, and the Public Finance Division of the State Treasurer's Office, as well as highly-experienced advisory and bond counsel firms. As with all the Authority programs, members of California's charter school community, legislature, and associations also will provide input as the Authority rolls out Charter ABLE, including its policies and procedures for: evaluating creditworthiness of program participants; criteria for receipt of program guarantees; risk rating and monitoring; debt work-outs; and internal financial management and risk mitigation processes. As Agent for Sale for all State of California Bonds, the State Treasurer's Office is consistently among the highest volume bond issuers in the nation.

The level of experience of staff and consultants working with the Authority is extensive. The individuals include experts in finance as well consultants who have been involved in the charter school movement since its inception and who are knowledgeable about all aspects of charter schools, including financing, construction, and operating issues, as well as federal and state policies and procedures, and prudent investment, debt, and risk management. The principal Authority and State Treasurer's Office staff members who will be working on this program each have 10 – 20 years of experience, and are familiar with education finance, charter school facilities, and charter school policy issues, in general, as well as financial management, portfolio monitoring, investment of public funds, and risk mitigation processes and practices, in particular. Summaries of team members' expertise appear below, and résumés of key program team members are in Attachment B.

I. California School Finance Authority

The Authority provides tax-exempt, low cost financing to charter schools, school districts, and community college districts for use in the repair and construction of school facilities as well as provide financing for working capital; this has been the Authority's primary focus since 2002. The Authority's Executive Director, Katrina Johantgen, has nearly 25 years of municipal finance experience, having served as an investment banker and financial advisor for over eight years, and has been with the Authority for over 16 years. During her tenure with the Authority, Ms. Johantgen has been instrumental in creating and expanding

financing opportunities for California charter schools. Most notably, Ms. Johantgen has overseen the Authority's programs, policies, and procedures underlying \$ [REDACTED] in funding awarded to assist California charter schools with development, facility financing, and operation. The financing, policy-making, portfolio monitoring, financial management and risk mitigation expertise of Ms. Johantgen will ensure that the federal enhancement grant is administered consistent with federal guidelines and policy objectives.

Ms. Johantgen will work with Authority staff, which is comprised of 13 professionals and four support staff, to implement the Charter ABLE program. Mark Paxson, General Counsel to the State Treasurer, and Ravinder Kapoor, Senior Attorney to the State Treasurer, both work closely with CSFA to ensure the program's compliance with federal and state law and regulations. Mr. Paxson has provided legal and program financing advice to CSFA since 2002, and Mr. Kapoor since January 2019, as part of the new State Treasurer's Administration. Mr. Paxson and Mr. Kapoor will be an integral part of the successful implementation of the new Charter ABLE Program. Mr. Paxson was an integral part of the successful launch of the Authority's conduit bond program, which has financed over [REDACTED] in notes and bonds towards charter school facilities. Mr. Kapoor has served various roles as an attorney with the United States Air Force and the State of California since 2005.

Along with the Executive Director, CSFA's support team has acquired a significant amount of experience and knowledge about CSFA and California's charter school system, and will be actively involved in the administration of the Charter ABLE Program. Ms. Johantgen will serve as Project Director for Charter ABLE, and will be supported by Thomas Dear and the individuals noted below. Mr. Dear has over 20 years of lending experiences, both in public and private sectors and directly worked in the CalCap program prior to joining CSFA.

The Authority's *project staffing and implementation plan* will enable funds under Charter ABLE to be disbursed by fall 2020, assuming a fall 2019 award notification. Given that Charter ABLE will be enhancing financing through an established Authority program, the Charter School Bank Loan Program, the Authority's team will focus its primary attention on program regulations and charter community outreach regarding the new program. See Part B – Charter School Involvement, for additional details. The Authority's well-established CSFP team also will administer Charter ABLE; therefore, the learning curve and timing of implementing the program will be expedited.

II. The California State Attorney General's Office

The California State Attorney General's Office (AG's Office) will be actively involved with the implementation of Charter ABLE, because the AG's Office serve as issuer's counsel. The Attorney General is the State's top lawyer and law enforcement official, protecting and serving the people and interests of California through a broad range of duties. The Attorney General's responsibilities include safeguarding the public from violent criminals, preserving California's spectacular natural resources, enforcing civil rights laws, and helping victims of identity theft, mortgage-related fraud, illegal business practices, and other consumer crimes. The AG's Office participates in the administration of programs that carry out the fiduciary responsibilities of the State Treasurer, including, but not limited to, issuance of State of California general obligation bonds, revenue anticipation notes, certain revenue bonds, and other transactions for state authorities, boards and commissions, such as the Authority.

III. State Treasurer's Office – Public Finance Division

The State Treasurer's Office (STO) Public Finance Division (PFD) also will be actively involved in the implementation of Charter ABLE. The Public Finance Division administers programs that carry out the fiduciary responsibilities of the State Treasurer, including, but not limited to, issuance of State of California general obligation bonds, revenue anticipation notes, certain revenue bonds, and other transactions for state authorities, boards and commissions, including the Authority's. The Public Finance Division also directs compliance with federal tax laws applicable to state debt. The Public Finance Division has extensive responsibilities and experience in performing the functions of Agent for Sale for conduit and other state bond financings, disseminating financial information to the investment community, providing on-going communication with investors, and researching and responding to inquiries from investors. As Agent for Sale for all State of California Bonds, the STO is consistently among the highest volume bond issuers in the nation. For example, as of June 1, 2019, roughly [REDACTED] California General Obligation Bonds remain outstanding. Another [REDACTED] of General Obligation Bonds have been authorized by voters but not yet issued as of this same time.

IV. Stakeholders and Advisors

The Authority has assembled a team of advisors to assist in the implementation of Charter ABLE. The team is comprised of seasoned professionals from both the advisory and legal fields, including a former Chief Deputy State Treasurer, a long-serving municipal financial advisor to the Authority, as well as attorneys with the State's leading bond and tax counsel firm.

California Charter Schools Association: The California Charter Schools Association (CCSA) advances the charter school movement through state and local advocacy, leadership on accountability, and resources for member schools. CCSA is a trusted source of data and information on California's charter schools for parents, authorizers, legislators, the press and other interested groups. CCSA runs a comprehensive portfolio of programs and services for operating charter schools, charter development teams, charter support organizations, charter-friendly businesses, and charter professionals. Nicolas Watson, Senior Advisor for Facilities, leads CCSA's facilities policy and advocacy work across the state. Prior to joining CCSA, Nicolas worked as an attorney in private practice for 11 years, with a focus on transactional real estate and land use matters, including real property acquisitions, dispositions, and development. Prior to attending law school, Nicolas worked as a legislative aide to United States Senator Richard H. Bryan, where he worked on public policy matters such as housing and urban development and banking and finance. Nicolas is a graduate of the University of San Diego, and the University Of San Diego School Of Law. He also served as a Museum School of San Diego Governance Board member.

Charter Schools Development Center: Charter Schools Development Center (CSDC) is the nation's oldest charter support organization, and remains the most comprehensive resource center for charter schools anywhere in the country. CSDC's leadership trainings, publications, consulting, and membership program offer their clients over 20 years of experience in charter school start-up, operational support, and advocacy. CSDC is recognized as the leading expert in charter school law, policy, finance, school design, authorizing, governance, and personnel. CSDC staff has assisted with the drafting of charter laws in over 25 states across the country and has been prominent in the decision making of school reform policy at both the state and national levels. Eric Premack, Founder and Executive Director, has played a leading role in the development and spread of the chartered schools concept since its inception in his native Minnesota in the 1980s. Eric helped to draft and implement chartered schools legislation in over 25 states, at the federal level, and overseas. Premack was a co-founder of the Charter Friends National Network, a founding board member of the California Network of Educational Charters, served on the California State Superintendent's Charter School Advisory Committee, serves on the board of Civicorps Inc., and served as founding vice-chair of the Board of St. HOPE (Helping Others Pursue Excellence) Public Schools. Prior to founding CSDC, Premack provided consulting services to hundreds of California school districts at School Services of California, Inc., and was a non-partisan education policy analyst for the California Legislature's Office of the Legislative Analyst.

Montague DeRose and Associates, LLC: The Authority has engaged the services of Montague DeRose and Associates, LLC (MDA), a municipal financial advisor, to assist in the implementation of its Charter ABLE Program. Founded in 1995, MDA is a full-service, California-based, independent financial advisory firm committed solely to public finance, with offices in Westlake Village and Walnut Creek. Since inception, the firm has advised on the issuance of more than [REDACTED] of tax-exempt and taxable bonds and notes, and serves as municipal advisor to some of the largest and most complex issuers of municipal debt in the country. MDA is registered as a Municipal Advisor with both the Securities and Exchange Commission (SEC File No. 867-00281 & CIK No. 0001614281) and the Municipal Securities Rulemaking Board (MSRB Number K0361).

Mr. Michael D. Kremer, Managing Director, has an extensive amount of education finance experience, including providing investment banking and financial advisory services on numerous debt issues for educational agencies in California. He has 25 years of experience in municipal finance through his roles as municipal advisor, investment banker and credit analyst. Mike has particular expertise with K-14 schools and other local agencies throughout the State of California. He specializes in preparing debt capacity/affordability reports and financial feasibility analyses, developing financing plans for large scale, multi-year capital improvement plans, and preparing debt policies and credit presentations for his municipal advisory clients. Mike has served as a financial advisor to the Authority since April 2003 when Proposition 47 bond proceeds were first apportioned to charter schools under the Charter Schools Facilities Program. He served as program manager for the Charter School Working Capital Program in 2012 and 2013 which provided cash flow loans to California charter schools from working capital notes issued by CSFA. In 2017 and 2018, Mike assisted with the Authority's PANACEA credit enhancement grant program by advising on regulations and facilitating lenders for the short-term CSFP financings. And most recently, Mr. Kremer assisted Authority staff with administration of the Charter School Revolving Loan Fund Program by updating the financial model used to assess the creditworthiness of loan applications and by refining loan repayment schedules and processes to keep loan losses at acceptable levels.

IMPACTS USA Advisory Services: IMPACTS USA (IMPACTS) is a network of world-class advisors crafting management and financial solutions for leaders of governmental, non-profit, and development organizations. IMPACTS focuses on issues at the nexus of public policy, infrastructure, social impacts, and the capital markets. Barbara A. Lloyd, Founder and Chief Executive Officer of IMPACTS, is a veteran of government, public finance, infrastructure, and capital markets. In addition to founding IMPACTS, Barbara is

a registered Municipal Advisor with the SEC and MSRB, doing business as Barbara A. Lloyd, Municipal Advisory Services. Ms. Lloyd assisted the Authority with the 2017 New Enhancement/Incentives Grant application, including design of the CSFA's PANACEA Program. Her strengths include new program development and management; innovative financing strategies and solutions; state and local capital finance transactions; policy analysis and decision-making; and organizational leadership and communication. Barbara is known for her ability to structure complex transactions in the public interest. Her company's recent and current educational engagements, in addition to the Authority, include projects for the University of California, Riverside (UCR); College of the Desert (COD); Cal Poly Pomona (CPP); and the University of Kansas (KU). Additional members of the IMPACTS Team available to the Authority include Victoria Taylor, who led the financial advisory work at KU; Jeanne Peterson, a national expert on affordable housing; Joshua Ramirez, who managed our procurement support services for UCR; and Chris Margaronis, who managed our real estate strategies support services for UCR.

PART D - LEVERAGING MULTIPLE FORMS OF ASSISTANCE

It is possible for participating Charter School Borrowers to obtain multiple forms of financial assistance through the Authority's various programs, with different programs addressing a range of needs and maturity levels of the participating Charter Schools. For instance, the proposed Charter ABLE Program would be building on the existing Charter School Bank Loan Program, which inherently creates a minimum leverage of roughly 10:1 (assuming a Reserve is not more than 10 percent of the loan amount)..

Charter ABLE also will leverage the existing knowledge and institutional infrastructure of CSFA and other offices within the State Treasurer's Office, which will facilitate Charter ABLE to become operational quickly. It is anticipated the regulatory approval process for Charter ABLE could be completed in early 2020 so eligible Charter Schools could submit applications in late Spring 2020. Furthermore, CSFA will continue its work with public and private lenders as well as other funders to develop compatible funding and financing mechanisms for charter school facility projects. Lastly, the strengths of CSFA's experience and institutional foundations would enable the Charter ABLE program to "scale up" readily in the event that additional grant funds are made available, whether from federal, state, local, or private sources.

PART E - CSFA'S EXPERTISE IN EDUCATION AND CHARTER SCHOOLS FACILITIES

CSFA has the expertise and capacity to immediately implement the Charter ABLE Program set forth in this Application. Below we have highlighted the strengths and abilities of the Authority that demonstrate its ability to execute a successful federal credit enhancement program for charter schools.

I. Authority Background

CSFA was created in 1985 to provide facility and working capital financing to California school districts and community college districts. CSFA consists of three Board Members: Fiona Ma, California State Treasurer, serving as Chair; Tony Thurmond, Superintendent of Public School Instruction, overseeing the California Department of Education (CDE); and Keely Martin Bosler, Director of Finance. CSFA maintains offices in Sacramento and Los Angeles, enabling CSFA staff to more effectively provide services to constituents throughout the State.

With the passage of California's Charter School Act of 1992, charter schools have become a viable option for parents, students, and educators seeking choice in education. As of the 2017-18 school year, CDE reported that more than 1,200 charter schools serve over 620,000 California public school students. Since its inception, CSFA has implemented several financing programs to address the needs of its stakeholders. Recognizing that charter schools need access to low-cost, tax-exempt facilities and working capital financing – as do their traditional public school counterparts – CSFA staff spearheaded a legislative amendment to its statute to provide financing opportunities to charter schools. Assembly Bill 2717 (Walters) was signed into law on September 18, 2006. Effective January 1, 2007, CSFA was authorized to issue debt on behalf of charter schools. This authorization supported establishment of CSFA's Bank Loan Program in 2018, which encourages banks and other financial institutions to make low-cost loans to charter schools seeking financing for working capital, permanent facility acquisition or renovations.

II. Management Experience and Track Record with Other Federal Programs

In 2004, 2009, and 2014, CSFA applied for and was awarded federal grants under the United States Department of Education's State Charter School Facilities Incentive Grants Program (Incentive Grant Program) to assist charter schools in meeting their facility needs. To date, the Incentive Grant Program has awarded more than [REDACTED] 14 rounds to over 400 schools serving approximately 160,000 students. The Incentive Grant Program is designed to fund those charter schools that demonstrate the most need. CSFA

designed a 110-point preference point matrix based around the following: (1) the number of low-income students at the school who are eligible for free and/or reduced priced meals; (2) the level of overcrowding the charter school's district is experiencing; (3) whether the charter school is being operated by a non-profit entity; and (4) whether the charter school met student performance standards. Charter schools may use the grant funds to pay a portion of their rent, lease or debt service payments, or to fund the cost of acquiring, renovating or constructing new facilities. Round 15 remains to be completed, with the current Grant to be disbursed by August 30, 2023. CSFA is applying for a fourth grant under this Program in July 2019.

Since 2009, CSFA has administered an \$ [REDACTED] nt under the Charter School Facilities Enhancement Grant Program. CSFA has exceeded its leverage goal of 10:1 set out in our performance agreement, with an actual leverage ratio of 17:1, enhancing [REDACTED] in bond financings, and assisting 35 schools serving more than 17,700 students. CSFA also won an \$ [REDACTED] grant for credit enhancement. The Project Acceleration Notes and Credit Enhancement Alternatives (PANACEA) Program officially launched in late 2018. PANACEA is intended to enhance interim financing for planning, purchase, or predevelopment construction while charter schools are awaiting release of funds from the Charter School Facilities Program or Conduit Financing Program. The Authority is currently working with banks, schools, and other stakeholders to promote this program's benefits and expect the first award to be made this year. Our most recent annual performance report is included as Attachment C.

III. Standards of Conduct

As stewards of state and federal funds, CSFA's standards of conduct, including avoidance of conflicts of interest, are adhered to closely. As a California state agency, the Authority and its management personnel must comply with the State's Political Reform Act, a copy of which has been provided as Attachment D. Briefly, the Act requires that all governmental officials involved in governmental decision-making must disclose all sources of income, investments, and gifts and prohibits such officials from participating in, making, or attempting to influence decisions in which they have a financial interest. The Act also provides for civil and criminal penalties in the case of a violation.

IV. Credit Ratings

CSFA does not have a credit rating, and conduit financings of CSFA have been rated based on the credit quality of the borrower and the security provisions of the individual financings. Because the debt service will be secured by intercepted funds coming directly from the State, rating agencies are expected to have confidence in timely repayment and therefore offer strong credit ratings. The anticipated investment grade

credit ratings will offer lower borrowing costs on participating Authority Loans. The State of California's recent long-term General Obligation (GO) bonds ratings are "Aa3" from Moody's Investor Service, "AA-" from Fitch Ratings and "AA-" from Standard and Poor's. Copies of the State's most recent long-term credit rating reports have been attached as Attachment E for your consideration.

V. Financial Stability and Financial Statements

CSFA receives revenues from state and federal sources, as well as generates revenue via bond application and issuance fees. CSFA's local assistance funds, those that are disbursed through its programs, are continuously appropriated; therefore, there is no interruption in the availability or amounts awarded to charter schools. This distinction allows for consistent outflows of critical funding without the need for annual legislative approval. CSFA receives an annual appropriation from the state legislature to fund program administrative costs to ensure adequate resources. CSFA's financial stability, and that of the Charter ABLE program, is demonstrated within CSFA's annual audit and the Financial Projections pro forma cash flow provided with this Application. As a related entity to the State of California, CSFA is subject to an annual Single Audit. CSFA's Audited Financial Statements for FY 2016, FY 2017 and FY 2018 can be found as attachments to the application for your consideration. CSFA's audits are free from any material findings. These audits and are provided as Attachment F-1, F-2, and F-3 respectively. The program pro forma is provided as Attachment G.

VI. Enabling Statutes and Current Regulations

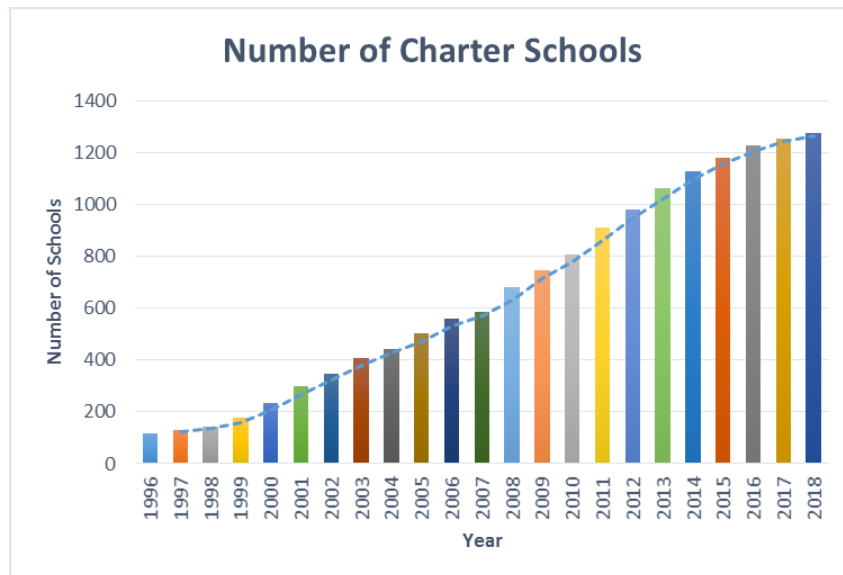
CSFA's enabling statute, Education Code Sections 17170 through 17199.6, has been provided as Attachment H to the application. CSFA's enabling statute also establishes the Bank Loan Program. Approval of new regulations for the Charter ABLE Program would follow the process described in Part B – Involvement of Charter Schools, above.

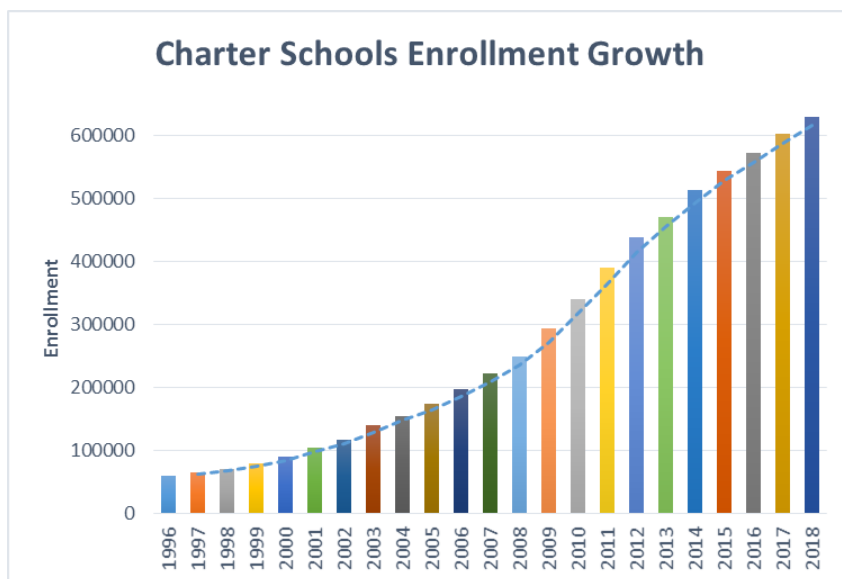
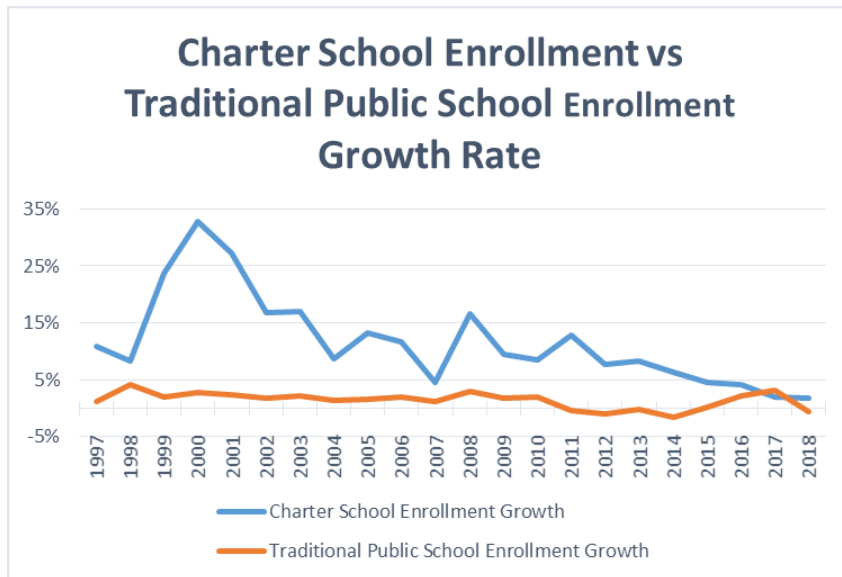
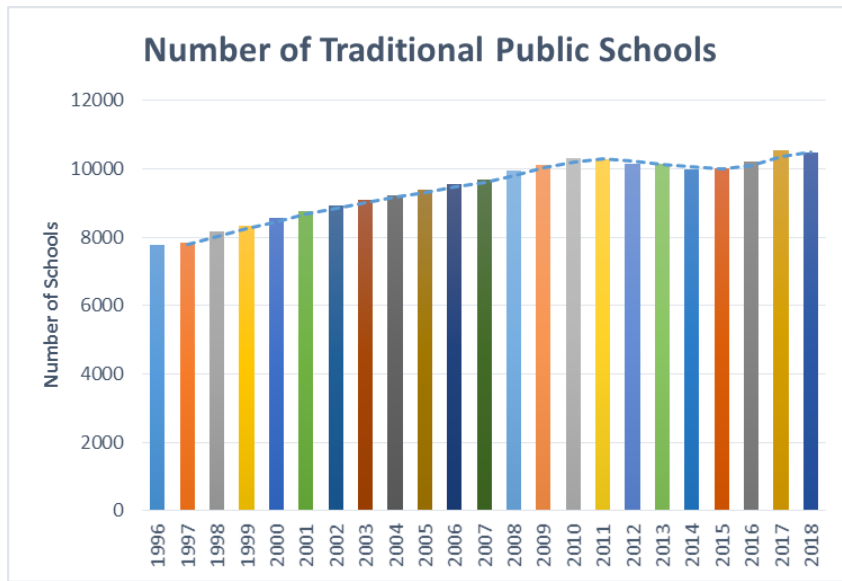
PART F - STATE ACTIONS TO PROVIDE ADEQUATE CHARTER SCHOOL FACILITIES

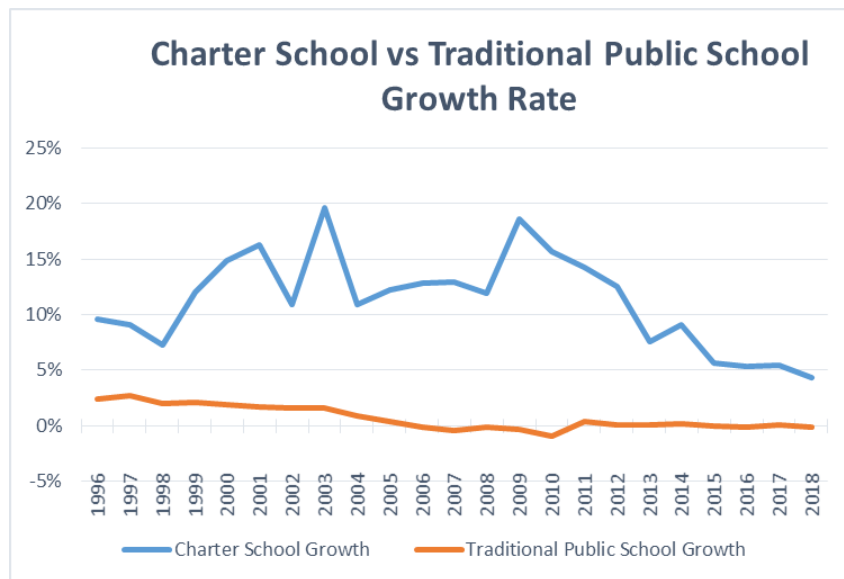
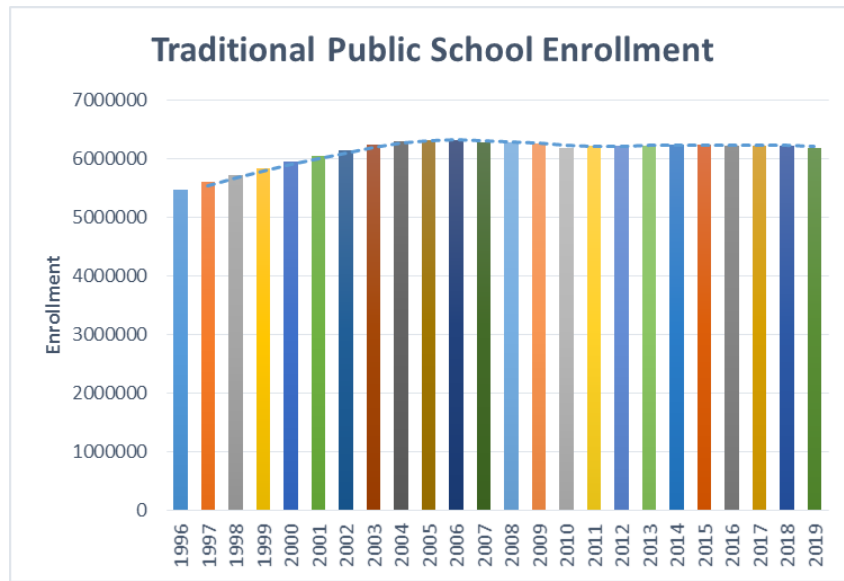
I. General Funding of Charter Schools in California

California adopted its charter school legislation in 1992, becoming the second state in the nation to do so. Since California’s charter school law was passed, charter schools have rapidly grown in popularity. At the close of the 2017-18 school year (FY 2018), there were 1275 charter schools educating approximately 630,000 students in California, compared to the roughly 10,660 traditional schools serving approximately 6.85M children. As a percentage of the total student population, charter school enrollment has increased from 1.81 percent in FY 1996 to 5.22 percent in FY 2010 to 9.20 percent in FY 2018, which is equivalent to an annual average growth rate of 11 percent over the 25-year period and 9 percent in the last ten years.

Enrollment at traditional schools averaged annual growth of 0.65 percent over the same 25-year period. In FY 2018, charters averaged about 495 students per school relative to an average of 642 students for each per traditional school. The charts below and on the following page illustrate rapid growth of charter schools versus the static-to-declining enrollment at traditional schools. It comes as no surprise to California educators that charter schools’ access to suitable facilities has been a challenge in light of such rapid expansion.







California's charter schools are funded much like other non-charter California public schools. They receive funding from local property taxes, state education aid programs, the California Lottery, the federal government, fundraising, and other sources. They are prohibited from charging tuition, and may only charge fees for a short list of items to the same extent as non-charter public schools may. The following table illustrates the primary elements of California's Local Control Funding Formula funding system.

Grade Span	2017-18 Base Grant / ADA	2018-19 Base Grant / ADA	Supplemental Grant for Low Income and English Learners	Concentration Grant for Low-Income and English Learners
K-3			Additional 20 percent	Additional 50 percent
4-6			augmentation to amounts for	augmentation to amounts
7-8			high-need pupil count that	for high-need pupil count in
9-12			does not exceed 55 percent	excess of 55 percent

This funding approach greatly simplifies charter schools’ financial affairs and provides the schools with a largely-deregulated “no strings attached” share of state aid that is very comparable with funding for non-charter public schools. In addition to these basic funding entitlements, charter schools may (1) apply for funding from federal education aid programs, (2) receive a proportionate share of funding from the California Lottery, and (3) apply for funding from several special state sources, that are not included in the above-referenced block grants, which could increase revenue per average daily attendance (ADA) by an additional [REDACTED] or more.

California has taken care to ensure that charter schools have a high degree of fiscal autonomy and flexibility. Charter schools may opt to apply for and receive their state and federal funding either in partnership with their local school district (local/indirect funding) or independently (direct funding). California has also designed a special advance apportionment process to ensure that new and growing charter schools receive their funding early in the school year to reduce the need for costly short-term borrowing.

II. Facility Funding of Charter Schools in California

Currently, most of California's charter schools have no readily available source of facility funding, which has proven to be one of the largest obstacles to starting a charter school. Like traditional public schools, if charter schools want to raise capital beyond state and local operational funding levels to meet their facility needs, they must raise the funds from philanthropic sources or borrow funds at costly rates with financially restrictive terms, if willing lenders can even be found. However, unlike their school district counterparts, charter schools are not permitted to finance facilities by seeking voter approval for the issuance of tax-exempt debt

repaid from increased taxes, and must use operational funding to pay for debt service or lease payments on facilities occupied but not owned.

Additionally, school districts in California can seek voter approval for non-ad valorem taxes (parcel taxes) to fund operating costs. In most cases, voter approval is not required for school districts to levy so-called “developer fees” on new residential and commercial construction to offset the cost of school facilities for new communities or to issue debt in the form of lease-backed obligations (lease revenue bonds and certificates of participation). These mechanisms are generally not available to charter schools. Despite “boom-and-bust” state budget cycles over the last two decades, and a state constitution that severely restricts the ability of state and local agencies to levy additional taxes, the State Legislature and the voters of California have adopted/endorsed a multi-faceted approach to assist charter schools in meeting their facilities needs in the form of grant, loan, and bond financing programs. Whereas California’s commitment to funding charter schools is arguably one of the most comprehensive efforts in the nation, most of these programs have traditionally been oversubscribed, and charter schools continue to face significant hurdles to securing facilities. Below we have highlighted the authorizing legislation and programs providing funds for charter school facilities in the State of California. The Authority fulfills a critical role in each of these programs.

Charter School Facilities Program (CSFP): The state-funded Charter School Facilities Program (CSFP) was enacted in 2002 by Assembly Bill (AB) 14, and amended by Senate Bill (SB) 15 and AB 16. CSFP has been funded through Proposition 47 (\$██████), Proposition 55 (\$██████), Proposition 1D (\$██████) and, most recently, Proposition 51 (\$██████). As a result, a total of \$██████ now has been awarded for construction of new facilities or rehabilitation of existing school district facilities for charter schools throughout the state, with the eligibility for funding being determined on a per-pupil basis. CSFP provides low-cost financing for charter school facilities (50% grant, 50% matching share), and is jointly administered by the CSFA and the Office of Public School Construction (OPSC). The primary role of CSFA is to direct the financial soundness review process for the CSFP and provide certification of financial soundness for purposes of Preliminary, Advance, and Final Apportionments. To date, the program has awarded this \$██████ to 89 charter schools, housing more than 50,000 students.

Charter School Bank Loan Program: This program was established in 2018 and encourages banks and other financial institutions to fund low-cost loans to charter schools seeking financing for working capital, permanent facility acquisition or renovations. The Authority worked with banks, schools, and other stakeholders to develop and promote CSBLP’s product offerings. The Authority’s first transaction through the

CSBLP took place in July 2018 and the second took place in March 2019. To date, the Authority has issued [REDACTED] assisting three charters schools. The Authority expects to issue a few more of these low-cost loans before the end of 2019. As stated in Section A, the Authority plans to use the federal grant to enhance renovation and construction related Authority Loans issued through this program.

Proposition 39 Facilities: This proposition, adopted by voters in November 2000, requires school districts to provide charter schools having a projected average daily attendance of at least 80 students with reasonably equivalent facilities to those provided to students in the area where the charter school students reside. This measure took effect on November 8, 2003, generally requiring all California school districts to provide facilities to charter schools that meet the requirements of the regulations. To qualify for Prop 39 facilities a charter school must be "operating in the school district," which is defined as either (1) currently providing education to in-district students or (2) having identified 80 students who are meaningfully interested in enrolling in the charter school for the following year. The school district may charge the charter school a pro-rata share of the district's facilities costs, which are paid with unrestricted general fund revenues, based upon the ratio of space the charter school uses divided by the total space of the district.

Charter School Facilities Grant Program (SB 740): This funding program was enacted by Senate Bill 740 (Chapter 892, Statutes of 2001, Education Code Section 47614.5) for the purpose of providing per-pupil facilities funding for charter schools in low-income areas. Eligible charter schools may receive reimbursement for facilities rent and lease costs in an amount per unit of ADA, but no more than 75 percent of their total annual facilities rent and lease costs. The amount provided per unit of ADA is [REDACTED] increases in conjunction with the annual Cost of Living Allowance increase each year as statutorily prescribed.

This program is targeted toward schools serving high proportions of economically-disadvantaged students. Only schools that either serve a student population with a high proportion (55 percent or higher) of free/reduced price meal-eligible students or are physically located in the attendance area of a public elementary school in which 55 percent or more of pupil enrollment is eligible for free or reduced price lunches are eligible for funding from this lease aid program. The determination of free or reduced price lunches is made by the California Department of Education and is consistent with the U.S. Department of Agriculture Eligibility Manual for School Meals. Since assuming Program administration in 2013, CSFA has taken significant steps to improve the quality and participation of the Program. CSFA's administration of the Charter School Facility Grant Program has resulted in an increase of funding to charter schools from [REDACTED] in 2011-[REDACTED] 2018-19. Since 2013, the Program has seen a 26% increase in Awardees, with 392 charter

schools currently participating and serving 163,856 students throughout California.

Charter School Revolving Loan Fund Program: This Program was enacted by Senate Bill (SB) 1759. Pursuant to California Education Code sections 41365, 41366.5, 41366.7 and 41367, the Program provides low-interest loans of up to [REDACTED] new charter schools to assist meeting the purposes of the school's approved charter. The interest rate of the loan is set at the earning rate of California's Pooled Money Investment Account (PMIA) on the date of loan disbursement. The Program is available to any charter school that is not a conversion of an existing public school, and that has not yet completed the full term of its initial charter. In the 2013-14 fiscal year, the Program administration was transferred from the California Department of Education (CDE) to the CSFA. Since the transfer of the Program, CSFA has lent more than [REDACTED] charter schools.

State Charter School Facilities Incentive Grants Program: In 2004, the Authority was awarded a [REDACTED] grant under the United States Department of Education's State Charter School Facilities Incentive Grants Program (Federal Grant Program) to assist charter schools in meeting their facility needs. The Federal Grant Program is designed to fund those charter schools that demonstrate the most need. The Authority designed a 110-point preference point matrix based on the following: (1) the number of students at the school who are eligible for free and/or reduced priced meals; (2) the level of overcrowding the charter school's district is experiencing; and (3) whether the charter school is operated by a non-profit entity. Charter schools may use the grant funds to pay a portion of their rent, lease or debt service payments, or to fund the cost of acquiring, renovating or constructing new facilities. Following the successful implementation and completion of the 2004 Federal Grant Program, the Authority applied and was award additional grants in 2009 [REDACTED]). To date, 14 funding rounds have been conducted and over 400 charter schools, serving approximately 160,000 students, have been awarded more than \$ [REDACTED]. The final funding round will be completed by June 30, 2023. The Authority is applying for the latest comparable federal grant in 2019.

Authority's "Smart Bond" Financing Programs: Since its inception, the Authority has issued a series of financings on behalf of school districts under the Smart Bonds School Facility Financing Program, tax-exempt, low-cost capital and working capital financing for use in the repair and construction of school facilities, as well as for working capital purposes. At that time, the Authority issued three pooled financing notes for 14 school districts to provide bridge financing in anticipation of Proposition 1A apportionments.

Conduit Financing Programs Available for Charter Schools: Due to their corporate structure and low amounts of discretionary operating revenues, charter schools have had difficulty raising capital to finance

facilities. Charter schools have generally relied upon a small number of private lenders that understand the inherent credit issues faced by charter schools, such as comparatively smaller enrollment, charter renewal risk and the limited financial flexibility to fund unforeseen costs. While the interest rates charged by these lenders are significantly higher than the interest rates paid by traditional public schools, these lenders offer an alternative considered by some charter schools, since the capital needs of charter schools in California continue to far exceed the supply of funds made available by the state programs previously described.

Charter schools operated by nonprofit public benefit corporations organized as 501(c)(3) nonprofit corporations may legally borrow the proceeds of a tax-exempt financing issued by a governmental entity or special authority. Charter schools participating in CSFA's California Charter School Conduit Financing Program (Conduit Financing Program), are required to pledge an intercept of a portion of their per-pupil revenue from the State, but not local sources, in order to secure the school's share of debt service due on the Authority's conduit debt. The intercept mechanism may be used as either a standby in the case of non-payment by the district, or as an automatic schedule of payments. CSFA now serves as a very active conduit issuer on behalf of nonprofit charter schools to provide them access to the capital markets. CSFA's low-cost fee structure, its intercept mechanism, and its no-cost, state-level Tax Equity and Fiscal Responsibility Act (TEFRA) hearing process has made CSFA the issuer of choice for creditworthy charter schools throughout the State. Since 2010, CSFA has issued more than [REDACTED] in bonds to provide low-cost, fixed rate financing through June 2019.

Project Acceleration Notes and Credit Enhancement Alternatives Program: This program is a federally funded grant program for which the Authority received an award in 2017 providing a total of [REDACTED] in credit enhancement grants to fund interim financing for planning, purchase, or predevelopment construction while charter schools are awaiting release of funds from the Charter School Facilities Program or Conduit Financing Program. The program officially launched in late 2018. The Authority is currently working with banks, schools, and other stakeholders to promote this program's benefits and expect the initial award to be made this year.

Qualified Public Education Facility Bond Program: This program provides tax-exempt private activity bond allocation to state and local bond-issuing agencies to provide public elementary and secondary schools with financing for the construction or improvement of their facilities. These bonds are designed to provide tax-exempt conduit financing for turnkey private development of public elementary and secondary school facilities. The Authority serves as the issuer and facilitator of Qualified Public Education Facility Bond Program bonds in California, with the authority to allocate a portion to other parties.

PART G - SELECTION CRITERIA – APPLICATION CROSS REFERENCES

Selection Criteria – Application Cross References	
Selection Criteria	Application Sections
(a) Quality of project design and significance.	
1. The extent to which the grant proposal would provide financing to charter schools at better rates and terms than they can receive absent assistance through the program;	<ul style="list-style-type: none"> ✓ A.II. Proposed Preliminary Terms of the Charter ABLE Program ✓ A.III. Anticipated Benefits of Charter ABLE Program
2. The extent to which the project goals, objectives, and timeline are clearly specified, measurable, and appropriate for the purpose of the program;	<ul style="list-style-type: none"> ✓ A.I. Proposed Use of Credit Enhancement Grant Funds ✓ A.II. Proposed Preliminary Terms of the Charter ABLE Program ✓ A.III. Anticipated Benefits of Charter ABLE Program ✓ A.IV. Anticipated Performance Measures
3. The extent to which the project implementation plan and activities, including the partnerships established, are likely to achieve measurable objectives that further the purposes of the program;	<ul style="list-style-type: none"> ✓ A.I. Proposed Use of Credit Enhancement Grant Funds ✓ A.II. Proposed Preliminary Terms of the Charter ABLE Program ✓ A.IV. Anticipated Performance Measures
4. The extent to which the project is likely to produce results that are replicable;	<ul style="list-style-type: none"> ✓ A.III. Anticipated Benefits of Charter ABLE Program

Selection Criteria – Application Cross References	
Selection Criteria	Application Sections
<p>5. The extent to which the project will use appropriate criteria for selecting charter schools for assistance and for determining the type and amount of assistance to be given;</p>	<ul style="list-style-type: none"> ✓ A.I. Proposed Use of Credit Enhancement Grant Funds ✓ A.II. Proposed Preliminary Terms of the Charter ABLE Program ✓ A.III. Anticipated Benefits of Charter ABLE Program
<p>6. The extent to which the proposed activities will leverage private or public-sector funding and increase the number and variety of charter schools assisted in meeting their facilities needs more than would be accomplished absent the program;</p>	<ul style="list-style-type: none"> ✓ A.I. Proposed Use of Credit Enhancement Grant Funds ✓ A.II. Proposed Preliminary Terms of the Charter ABLE Program ✓ A.IV. Anticipated Performance Measures ✓ D. Leveraging Multiple Forms of Assistance
<p>7. The extent to which the project will serve charter schools in States with strong charter laws, consistent with the criteria for such laws in section 4303(g)(2) of the ESEA; and</p>	<ul style="list-style-type: none"> ✓ A.II. Proposed Preliminary Terms of the Charter ABLE Program

Selection Criteria – Application Cross References	
Selection Criteria	Application Sections
<p>8. The extent to which the requested grant amount and the project costs are reasonable in relation to the objectives, design, and potential significance of the project.</p>	<ul style="list-style-type: none"> ✓ A.I. Proposed Use of Credit Enhancement Grant Funds ✓ A.II. Proposed Preliminary Terms of the Charter ABLE Program ✓ A.III. Anticipated Benefits of Charter ABLE Program ✓ A.IV. Anticipated Performance Measures
<p>(b) Quality of project services</p>	
<p>1. The extent to which the services to be provided by the project reflect the identified needs of the charter schools to be served;</p>	<ul style="list-style-type: none"> ✓ A.I. Proposed Use of Credit Enhancement Grant Funds ✓ A.II. Proposed Preliminary Terms of the Charter ABLE Program ✓ A.III. Anticipated Benefits of Charter ABLE Program
<p>2. The extent to which charter schools and chartering agencies were involved in the design of, and demonstrate support for, the project;</p>	<ul style="list-style-type: none"> ✓ B. Involvement of Charter Schools ✓ B.II. Support from the California Charter School Community ✓ C.I. California School Finance Authority ✓ C.IV. Stakeholders and Advisors

Selection Criteria – Application Cross References	
Selection Criteria	Application Sections
3. The extent to which the technical assistance and other services to be provided by the proposed grant project involve the use of cost-effective strategies for increasing charter schools' access to facilities financing, including the reasonableness of fees and lending terms; and	<ul style="list-style-type: none"> ✓ A.II Proposed Preliminary Terms of the Charter ABLE Program ✓ C.I. California School Finance Authority ✓ C.IV. Stakeholders and Advisors
4. The extent to which the services to be provided by the proposed grant project are focused on assisting charter schools with a likelihood of success and the greatest demonstrated need for assistance under the program.	<ul style="list-style-type: none"> ✓ A.I. Proposed Use of Credit Enhancement Grant Funds ✓ A.II. Proposed Preliminary Terms of the Charter ABLE Program ✓ A.III. Anticipated Benefits of Charter ABLE Program ✓ A.IV. Anticipated Performance Measures
(c) Capacity	
1. The amount and quality of experience of the applicant in carrying out the activities it proposes to undertake in its application, such as enhancing the credit on debt issuances, guaranteeing leases, and facilitating financing;	<ul style="list-style-type: none"> ✓ C.I. California School Finance Authority ✓ E.I. Authority Background ✓ E.II. Management Experience and Track Record with Other Federal Programs
2. The applicant's financial stability;	<ul style="list-style-type: none"> ✓ E.V. Financial Stability

Selection Criteria – Application Cross References	
Selection Criteria	Application Sections
<p>3. The ability of the applicant to protect against unwarranted risk in its loan underwriting, portfolio monitoring, and financial management;</p>	<ul style="list-style-type: none"> ✓ A.II. Proposed Preliminary Terms of the Charter ABLÉ Program ✓ C.I. California School Finance Authority ✓ C.III State Treasurer’s Office – Public Finance Division ✓ E.I. Authority Background
<p>4. The applicant’s expertise in education to evaluate the likelihood of success of a charter school;</p>	<ul style="list-style-type: none"> ✓ E.I. Authority Background
<p>5. The ability of the applicant to prevent conflicts of interest, including conflicts of interest by employees and members of the board of directors in a decision-making role;</p>	<ul style="list-style-type: none"> ✓ E.I. Authority Background ✓ E.III. Standards of Conduct
<p>6. If the applicant has co-applicants (consortium members), partners, or other grant project participants, the specific resources to be contributed by each co-applicant (consortium member), partner, or other grant project participant to the implementation and success of the grant project</p>	<ul style="list-style-type: none"> ✓ C.II. The California State Attorney General’s Office ✓ C.III. State Treasurer’s Office – Public Finance Division ✓ C.IV Stakeholders and Advisors

Selection Criteria – Application Cross References	
Selection Criteria	Application Sections
7. For State governmental entities, the extent to which steps have been or will be taken to ensure that charter schools within the State receive the funding needed to obtain adequate facilities; and	<ul style="list-style-type: none"> ✓ C.I. California School Finance Authority ✓ E.I. Authority Background ✓ F.I. General Funding of Charter Schools in California ✓ F.II. Facility Funding of Charter Schools in California
8. For previous grantees under the charter school facilities programs, their performance in implementing these grants.	<ul style="list-style-type: none"> ✓ E.II. Management Experience and Track Record with Other Federal Programs
(d) Quality of project personnel.	
1. The qualifications of project personnel, including relevant training and experience, of the project manager and other members of the project team, including consultants or subcontractors; and	<ul style="list-style-type: none"> ✓ C.I. California School Finance Authority ✓ C.II. The California State Attorney General's Office ✓ C.III State Treasurer's Office – Public Finance Division ✓ C.IV. Stakeholders and Advisors
2. The staffing plan for the grant project.	<ul style="list-style-type: none"> ✓ C.I. California School Finance Authority