PROJECT ABSTRACT

Project Title: Charter Financing Enhancement (Charter FINE) Program (CDFA #84.354A)
Organization: California School Finance Authority
Address: 300 S. Spring Street, Suite 8500, Los Angeles, CA 90013
[redacted]

The California School Finance Authority (Authority) has the demonstrated expertise as well as the regulatory and statutory authority to successfully implement a new credit enhancement grant program – the Charter **Fin**ancing **E**nhancement Program (Charter FINE Program). The Authority's capabilities are demonstrated through its success in administering a broad portfolio of charter school facilities financing programs, including the implementation of its 2009 Credit Enhancement for Charter School Facilities Program award of $8.3 million; its 2017 Project Acceleration Notes And Credit Enhancement Alternatives (PANACEA) Program with an award of $8 million; and its 2019 Charter Access Bank Loan Enhancement (Charter ABLE) program with an award of $20 million.

Since the creation of the Authority through enabling legislation in 1985, the Authority has employed its portfolio of grant, loan, and bond financing programs to promote: 1) access to charter school facilities financing; 2) growth of charter schools overall in California; 3) targeting of high performing charter schools in communities demonstrating the most need; and 4) the infusion of public and private funds for capital improvements and new construction of charter school facilities. Since 2002, the Authority has financed or disbursed approximately [redacted] to California charter schools, primarily to meet facility and working capital needs.

Quality of Project Design and Significance: The Charter FINE Program set forth by the Authority will create a new program to provide credit enhancement on a range of financings made for charter school facility projects. This Program will increase access to financing for charter schools at better rates and terms, will assist charter schools to realize new or improved facilities sooner, and will leverage funds at an expected ratio before 10:1 before the grant funds are recycled to support new construction and renovation projects. With annual recycling of grant funds, the leverage ratio is expected to increase to 17:1 after Year Seven and up to 32:1 after Year 14 (final year of enclosed Pro Forma Analysis). These projected leverage ratios are for a stand-alone Charter FINE reserve fund structure, and the projected leverage ratios are higher for a pooled reserve fund structure also under consideration for the Charter FINE Program. This grant will allow charter schools to affordably complete their facilities sooner without incurring high interest rate debt or making dramatic cuts to their operating budgets.

Quality of Project Services: As a result of the Authority's development of streamlined procedures, regulatory framework, partnerships with finance teams, and current charter school programs stakeholders, the Charter FINE Program will enable lower-cost financing and expedited access to the capital markets. This will save invaluable time and costs for California charter schools.

Capacity: The unsurpassed charter school lending expertise of the Authority allows us to carry out project activities in an efficient and effective manner, as demonstrated in the Authority's success in creating and administering twelve funding programs, which includes six federal grant awards. The Authority's staff and support team's experience allow the Authority to perform activities in a manner that mitigates unwarranted risk while providing access to low-cost financing for charter schools. The support of the State Treasurer's Office accounting, legal and administrative resources, and the Authority's own financial stability, and California's strong conflict of interest laws allow the Authority to craft all its programs to be sound and based on the needs of California charter schools.

Quality of Project Personnel: The Authority has a program team with unsurpassed experience and expertise in creating, implementing and disbursing funds to charter schools through a diversity of programs. 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. The Authority will continue to collaborate with charter schools and their advocates, private sector leaders, and legal experts to ensure the successful implementation and growth of the Charter FINE Program.