

**U.S. Department of Education - EDCAPS
G5-Technical Review Form (New)**

Status: Submitted

Last Updated: 09/02/2021 02:25 PM

Technical Review Coversheet

Applicant: California School Finance Authority (S354A210014)

Reader #1: *****

| | Points Possible | Points Scored |
|---|-----------------|---------------|
| Questions | | |
| Selection Criteria | | |
| Quality of Project Design and Significance | | |
| 1. Quality of Project Design | 35 | 32 |
| Quality of Project Services | | |
| 1. Project Services | 15 | 13 |
| Capacity | | |
| 1. Capacity | 35 | 33 |
| Quality of Project Personnel | | |
| 1. Project Personnel | 15 | 15 |
| Sub Total | 100 | 93 |
| Total | 100 | 93 |

Technical Review Form

Panel #2 - FY21 Credit Enhancement - 2: 84.354A

Reader #1: *****

Applicant: California School Finance Authority (S354A210014)

Questions

Selection Criteria - Quality of Project Design and Significance

1. In determining the quality of project design and significance, the Secretary considers—

- (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;
- (2) The extent to which the project goals, objectives, and timeline are clearly specified, measurable, and appropriate for the purpose of the program;
- (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;
- (4) The extent to which the project is likely to produce results that are replicable;
- (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;
- (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;
- (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
- (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.

Strengths:

- (1) The applicant details their plan to use the award as a safeguard for any risk potential. Holding the funds in a reserve account is a strategic concept as it protects the borrower from running short of funds and it increases the lender's opportunity to be reimbursed according to the established schedule. It also validates why lower interest rates may be offered as there is a means for repayment. (Page e19)
- (2) The applicant has included a proposed timeline that can be adjusted in case of any contingencies or issues based in the planned award notification date. The goals are aligned with the intent of the Credit Enhancement Grant. (Pages e19, e41)
- (3) The project plan appears to be an extension of earlier award activities and, based on earlier successful implementation, appears to be sound and appropriate to meet the needs of the charter community. (Page e41)
- (4) The applicant documents the success of prior grant awards and continues to replicate the same plan of action to continue to meet the needs of the charter program. (Page e42)
- (5) The criteria established for selecting charter schools for assistance addresses the premise that schools with the most need will receive priority points to help determine where the most need is. (Page e42)
- (6) The applicant provides a clear explanation regarding the leveraging of funds to be used to generate additional funding at lower interest rates than would be charged by traditional lenders. (Page e43)
- (7) The applicant references the strong charter laws and qualifies this by sharing the large number of charter schools and the number of students who are being served. (Page e44)
- (8) The applicant's request is reasonable based on the projection that the Credit Enhancement funds will generate approximately [REDACTED] in revenue. This will allow the applicant to increase their new facilities expansion by 50%. The applicant shares their model of using Credit Enhancement funds to generate more capital at lower interest rates. (Page e45)

Weaknesses:

- (2) The applicant references the measurable objectives but is vague in what will be the measurement of success. The applicant states that the timeline and the enhanced findings are the key measurable objectives but does not provide adequate measures to determine if they are achieved. The applicant does include in Exhibit A.2 Performance Measures, but they are not specific. Providing SMART goals and objectives would clarify the intent of the program. (Page e22, e41)
- (3) Partnerships are mentioned with finance teams but references to each would make the proposal stronger. (Page e41)
- (5) The type of assistance that will be offered to charters with the most need is not clear. The applicant does state that Loan Loss Reserve grants will be made available but does not provide any details or specifics for this award. (Page e42)
- (6) The applicant references obtaining funding from private sectors but does not share any details of established partnerships. Providing a list of private sources would be appropriate. (Page e38)
- (7) The applicant could provide references to specific laws supporting charters in the State within the proposal. (Page e44)

Reader's Score: 32

Selection Criteria - Quality of Project Services**1. In determining the quality of the project services, the Secretary considers—**

- (1) The extent to which the services to be provided by the project reflect the identified needs of the charter schools to be served;**
- (2) The extent to which charter schools and chartering agencies were involved in the design of, and demonstrate support for, the project;**
- (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**
- (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.**

Strengths:

- (1) The applicant provides evidence of being able to design and provide services to meet the identified needs of the charter schools with direct input from multiple stakeholders and specifically the charter campuses. This grass roots' approach demonstrates how the charter program can gain and maintain support when the schools are directly involved in the program creation and implementation. (Page e45)
- (2) The applicant includes letters of support from various stakeholders and provides assurances that charter schools and organizations are involved in the design process. (Page e46)
- (3) The applicant shares that their department has consultants available in all areas of the grant financing program and they can meet the needs of their sub-grantees through consultations and workshops. Based on the success from prior awards, the team appears to have the knowledge and expertise to help find lower rates of funding for the charters they are working with. (Pages e41, e47)
- (4) The applicant documents their ability to meet the guidelines proposed to help charters find low interest rate funding. Their track record indicates their successes. (Pages e47-48)

Weaknesses:

- (3) The applicant shared that it already has the staff in place to provide technical assistance in every area of charter development but does not clarify how the same staff can increase this opportunity to more than the existing sites.

Selection Criteria - Capacity

1. In determining an applicant's business and organizational capacity to carry out the project, the Secretary considers—

- (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;**
- (2) The applicant's financial stability;**
- (3) The ability of the applicant to protect against unwarranted risk in its loan underwriting, portfolio monitoring, and financial management;**
- (4) The applicant's expertise in education to evaluate the likelihood of success of a charter school;**
- (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;**
- (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;**
- (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**
- (8) For previous grantees under the charter school facilities programs, their performance in implementing these grants.**

Note: The 35 available points under this selection criterion will be allocated evenly among the factors applicable to a particular applicant. For example, for an applicant for which none of factors (6)-(8) apply, the 35 available points will be allocated among the first five factors. Similarly, for an applicant that is a State governmental entity that is a previous grantee under the charter school facilities programs, the 35 available points will be allocated evenly among factors (1)-(5), (7), and (8)

Strengths:

- (1) The applicant presents evidence through a review of their financial statements, prior grant implementation, as well as their discussion of key personnel indicates the agency has the experience to assume the responsibilities proposed in their application and can meet the grant's criteria of facilitating financing by assisting with credit on debt issuance and guaranteeing leases. The proposal shares that the same team who implemented the three prior grants to increase charter development, will be responsible for this grant as they focus on providing much needed funds for the construction and renovation of permanent charter school facilities. (Page e49)
- (2)The applicant verifies the financial stability of the organization based on the audited financial statements, budget, and S and P Global Rating AA-. Based on the fact that the audits determined no findings, the applicant's financial stability is creditable. (Pages e49, e352)
- (3)Based on prior success, the applicant has expertise to protect against unwarranted risk in its loan underwriting, portfolio monitoring, and financial management. (Page e50)
- (4)The applicant is in a unique position as it has the expertise of multiple departments with both academic and business leaders to provide technical assistance and evaluation of a charter's needs. Based on the seven different programs already established, the applicant's success record indicates they have the ability to determine the specific charters who will receive funding based on the established criteria, assess their needs, and have the personnel and resources to monitor and provide assistance to ensure success. (Page e50)
- (5)The applicant verifies that as a State agency, they are under the State's Political Reform Act and state laws regarding

conflicts of interest guidelines for accountability. The applicant provides the State requirements which allow anyone with a financial interest to identify and recuse themselves from any decision making and includes the penalties and consequences for their actions. (Page e51, e56, e106, e185)

(6)The applicant is requesting the funds for the State and will work with other internal departments to offer sub- awards, distribute, and monitor the funding and all grant activities. (Page e51)

(7)The applicant has shared throughout the application that the State has supported the charter school movement through legislative action, but they still rely on external funding sources to meet the growing needs for charter programs. Since the 1985 legislation which approved the agency, more than [REDACTED] has been awarded by the State to focus on addressing facility and capital needs. (Page e12, e52)

(8) The applicant shares that it has received previous federal awards for charter facilities and has been able to leverage additional funding to assist with interim funding for facility acquisition. Recently the applicant has been awarded [REDACTED] through its charter program which will be used to help achieve more funding for both charter and traditional schools due to the COVID 19 pandemic. (Page e39)

Weaknesses:

(3) The applicant does not share the safeguards in place to determine how it plans to protect against unwarranted risk in its loan underwriting, portfolio monitoring, and financial management protection. For example, the applicant does not describe a checks and balance system to determine how oversight will occur in their department.

Reader's Score: 33

Selection Criteria - Quality of Project Personnel

1. In determining the quality of project personnel, the Secretary considers--

- (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**
- (2) The staffing plan for the grant project.**

Strengths:

(1)As a state department, the proposal presents the opportunity to extend all their resources which includes personnel trained to help implement the charter programs presently existing and those to be funded. The applicant includes resumes that qualify that the department has experts in the agency as well as expertise in charter development. For example, the program team is comprised of personnel in the Agency, the state Attorney Generals Office, and the Public Finance Division of the State Treasurer's Office. The Executive Director of the States School Finance Authority has overseen all program development, administration, and staff management since 2000 and her responsibilities include evaluating existing programs and developing new financing structures with a particular focus on charter school facilities and working capital needs. She has helped develop and administer multiple grants including charter school charter loan programs, and state charter school facilities. She has had oversight and direct involvement with the charter programs for 21 years. (Pages e56, e67-68)

(2)The applicant shares the qualifications of the project implementation team as well as their abilities to provide guidance based on their areas of expertise. With the access to multiple resources from the applicant's department, this qualified team will be able to execute the grant program and ensure success. The identified core team has implemented three previous Credit Enhancement Grants and will be able to use their expertise and knowledge to execute the new grant program using past experiences. The applicant notes that the team is already focusing on program regulations and charter community outreach in anticipation of receiving the reward. (Pages e54)

Weaknesses:

None noted

Reader's Score: 15

Status: Submitted

Last Updated: 09/02/2021 02:25 PM

Status: Submitted

Last Updated: 09/01/2021 01:54 PM

Technical Review Coversheet

Applicant: California School Finance Authority (S354A210014)

Reader #2: *****

| | Points Possible | Points Scored |
|---|-----------------|---------------|
| Questions | | |
| Selection Criteria | | |
| Quality of Project Design and Significance | | |
| 1. Quality of Project Design | 35 | 32 |
| Quality of Project Services | | |
| 1. Project Services | 15 | 12 |
| Capacity | | |
| 1. Capacity | 35 | 35 |
| Quality of Project Personnel | | |
| 1. Project Personnel | 15 | 15 |
| Sub Total | 100 | 94 |
| Total | 100 | 94 |

Technical Review Form

Panel #2 - FY21 Credit Enhancement - 2: 84.354A

Reader #2: *****

Applicant: California School Finance Authority (S354A210014)

Questions

Selection Criteria - Quality of Project Design and Significance

1. In determining the quality of project design and significance, the Secretary considers—

- (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;
- (2) The extent to which the project goals, objectives, and timeline are clearly specified, measurable, and appropriate for the purpose of the program;
- (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;
- (4) The extent to which the project is likely to produce results that are replicable;
- (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;
- (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;
- (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
- (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.

Strengths:

- a.1. The applicant proposes on page e15 to use Credit Enhancement funds to launch a new program, Charter FINE, a debt service reserve program to complement other financing (page e19). Through this proposal, the applicant provides a compelling way to improve financing terms to charter schools. The applicant clearly demonstrates how the proposed debt service reserve will ultimately lead to a charter school borrower accessing cheaper capital and what they would be able to achieve absent the debt service reserve. The applicant demonstrates how it will also be able to expand the availability of financing to schools in greatest need.
- a.2. The applicant lays out core performance measures, including ways to measure each area, on page e22. The applicant's performance measures, along with the proposed terms of the program and the anticipated benefits, found on page e19, form the basis for proposed goals and objectives that are consistent and appropriately aligned with the overarching credit Enhancement program goals and objectives.
- a.3. The applicant offers up a detailed timeline for authorizing and launching the Charter FINE program on page e19. Given the applicant's track record with prior Credit Enhancement programs, the risk of the applicant not being able to implement any plan is minimal.
- a.4. The applicant has modeled the proposed Charter FINE program after precedent programs in California with successful track records, which Charter FINE would be replicating. The applicant makes the logical conclusion on page e42 that, given the program would be a replication of other programs' results, it stands to reason the program could create replicable results given the number of charter schools and students enrolled in charter schools in the state.
- a.5. As described on page e43, the applicant is a state agency, which makes it beholden to a transparent regulatory process for the development of an application and an assignment of preference points based on relevant criteria for

prospective borrowers. A published regulatory framework for scoring and awarding debt service reserves, combined with the applicant's familiarity implementing similar frameworks for other grants and credit enhancements demonstrates the applicant will be able to use appropriate criteria for selecting charter schools for this proposed program.

a.6 The applicant is proposing to use only credit enhancement to eliminate loan loss reserves and achieve a target leverage of 10:1 (page e43). Also, it will not provide underlying financing. This allows the applicant to lay out a strong case about how it will bring private funding into the mix. Additionally, on page e43, the applicant describes how prospective charter school participants will be allowed to participate in other programs it offers, thereby substantiating how it will increase public funding to schools.

a.8. The applicant provides a cogent argument on page e45 with respect to the [REDACTED] request, given its familiarity and experience operating similarly sized or larger Credit Enhancement programs. The data about charter schools on page e44 also help to substantiate the applicant's request, its reasonability, and its potential for significance and impact.

Weaknesses:

a.2. While the applicant offers up anticipated performance measures for the proposed Charter FINE program, it does not offer up any specific timelines. The applicant does not clearly describe its role within technical assistance.

a.7. The applicant does not have the ability to pick or chose which state to lend in, given it is a state agency in California. However, it fails to define how the state's legislation is considered strong for charter schools. Rather, on page e44, the applicant offers up the, albeit impressive, enrollment growth in the state since 1992 as evidence of serving charter schools in a state with strong charter laws.

Reader's Score: 32

Selection Criteria - Quality of Project Services

1. In determining the quality of the project services, the Secretary considers—

- (1) The extent to which the services to be provided by the project reflect the identified needs of the charter schools to be served;**
- (2) The extent to which charter schools and chartering agencies were involved in the design of, and demonstrate support for, the project;**
- (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**
- (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.**

Strengths:

b.1. The applicant's proposed plan of launching the FINE program to eliminate loan loss reserves is informed by the lack of an alternative within the charter school finance space. Through its description of the proposed use on page e15, the proposed terms on page e16, and then the anticipated benefits of participants starting page e19, the applicant draws a clear connection how the debt service reserve will be responsive to the needs observed.

b.2. The applicant provided several letters of support (pages e330 through e343) through the charter community, including authorizers, for its various initiatives, including the launch of the Charter Fine program. As a public entity, the applicant makes a strong argument that it is beholden to public regulations. This creates a mechanism for soliciting the input of various stakeholders into the design and implementation of all its programs.

b.3. The applicant describes throughout its application how its proposed program of eliminating debt service and over-collateralizing its portfolio will translate into an overall reduction of the cost to borrow for charter schools. On page e47, the applicant substantiates its impact ability by referencing the [REDACTED] disbursed in charter school funding since 2002.

b.4. The applicant does a good job of identifying clear performance measures on page e22 that are aligned with it supporting high quality charter schools in need. Additionally, the applicant offers on page e48 that this prioritization of assisting charter schools with greatest demonstrated need will be codified within program regulations.

Weaknesses:

b.3. While the applicant offers up the expertise and experience of its team to implement credit enhancement, it does not directly describe how it brings that experience to bear to benefit charter schools in the way of technical assistance. The applicant states that it consistently demonstrates success in lowering costs to charter schools, but it does not say how it demonstrates that. A stronger response would speak to how it knows it is being successful, whether through data collected from schools it has assisted or through some sort of methodology for estimating the financial impact.

Reader's Score: 12

Selection Criteria - Capacity

1. In determining an applicant's business and organizational capacity to carry out the project, the Secretary considers—

- (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;**
- (2) The applicant's financial stability;**
- (3) The ability of the applicant to protect against unwarranted risk in its loan underwriting, portfolio monitoring, and financial management;**
- (4) The applicant's expertise in education to evaluate the likelihood of success of a charter school;**
- (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;**
- (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;**
- (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**
- (8) For previous grantees under the charter school facilities programs, their performance in implementing these grants.**

Note: The 35 available points under this selection criterion will be allocated evenly among the factors applicable to a particular applicant. For example, for an applicant for which none of factors (6)-(8) apply, the 35 available points will be allocated among the first five factors. Similarly, for an applicant that is a State governmental entity that is a previous grantee under the charter school facilities programs, the 35 available points will be allocated evenly among factors (1)-(5), (7), and (8)

Strengths:

c.1. The applicant describes its extensive programs it has managed as a governmental agency on page e49 as evidence of its ability to carry out the proposed activities with fidelity. With specialized experience managing other federal grant awards for charter school facilities going back a decade, deploying just under [REDACTED], and leveraging the same core

team, the applicant provides a compelling basis for its ability to implement what it is proposing.

c.2. The applicant provides credible evidence of its financial stability as a governmental entity of the state of California, specifically its annual appropriation from the state legislature (page e49). The applicant's shared audited financial statements do not reflect any material findings. The latest balance sheet on e243 reflects [REDACTED] in net assets and a 0.74 net asset ratio, suggesting it has avoided taking on extensive debt.

c.3. The applicant's 20-year track record as an experienced lender and program manager for charter school financing has led it to develop a robust set of policies and procedures for underwriting and assessing risk (page e50), often with federal guidelines and policy objectives in mind.

c.4. The applicant has already administered other Credit Enhancement projects over its 20-year history (page e50). These have performed well and are indicative of it's the applicant's ability to evaluate the likelihood of success of a charter school.

c.5. The applicant describes on page e51 how, as a state agency, both the applicant and its management personnel must comply with California's Political Reform Act. Under this act, all government officials must disclose any potential conflicts of interest and recuse themselves from decision making, influence or otherwise. The applicant's unique role as a state agency gives the applicant the ability to prevent conflicts of interest through public transparency and scrutiny.

c.7. The applicant describes access to other sorts of facility funding through the state starting on page e35. It is noteworthy that most of the programs are administered by the applicant, who has implemented a multi-faceted approach to assist charter schools in a variety of ways, whether grants, term loans, or access to bond financing programs.

c.8. As the applicant states on page e53, all performance measures of the prior Credit Enhancement grants awarded to it have been met. The applicant provides a compelling track record, having secured a leverage ratio of 17:1 despite having the leverage goal of 10:1.

Weaknesses:

No weaknesses noted.

Reader's Score: 35

Selection Criteria - Quality of Project Personnel

1. In determining the quality of project personnel, the Secretary considers--

- (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**
- (2) The staffing plan for the grant project.**

Strengths:

d.1. The applicant describes its over 30-year track record in extensive detail, (page e24 through page e30). The agency's executive director has both extensive experience and expertise administering and implementing similar financing programs to charter schools. All the resumes and descriptions of staff included reflect a significant amount of relevant and applicable experience within the charter school space, each having between 10-20 years of experience (page e53).

d.2. The applicant's staffing plan for this project is adequate given that various programs that staff already manages and oversees are considerably larger than what is being proposed. The applicant points to the fact that the proposed

staffing plan builds on its other three Credit Enhancement programs (page e54).

Weaknesses:

No weaknesses noted.

Reader's Score: 15

Status: Submitted

Last Updated: 09/01/2021 01:54 PM

Status: Submitted

Last Updated: 08/26/2021 07:31 AM

Technical Review Coversheet

Applicant: California School Finance Authority (S354A210014)

Reader #3: *****

| | Points Possible | Points Scored |
|---|-----------------|---------------|
| Questions | | |
| Selection Criteria | | |
| Quality of Project Design and Significance | | |
| 1. Quality of Project Design | 35 | 32 |
| Quality of Project Services | | |
| 1. Project Services | 15 | 13 |
| Capacity | | |
| 1. Capacity | 35 | 35 |
| Quality of Project Personnel | | |
| 1. Project Personnel | 15 | 15 |
| Sub Total | 100 | 95 |
| Total | 100 | 95 |

Technical Review Form

Panel #2 - FY21 Credit Enhancement - 2: 84.354A

Reader #3: *****

Applicant: California School Finance Authority (S354A210014)

Questions

Selection Criteria - Quality of Project Design and Significance

1. In determining the quality of project design and significance, the Secretary considers—

- (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;
- (2) The extent to which the project goals, objectives, and timeline are clearly specified, measurable, and appropriate for the purpose of the program;
- (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;
- (4) The extent to which the project is likely to produce results that are replicable;
- (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;
- (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;
- (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
- (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.

Strengths:

(1)The applicant has developed a project entitled the Charter Financing Enhancement (FINE) Program. Through this program the applicant will provide improved access to financings as well as lower cost financing. This will be accomplished by expanding the potential lender pool and by using the Charter FINE reserve as a support. Those supports and the credit enhancement grant funds will ensure that the charter schools will be able to access bonds up to an estimated 42 basis points, an increase that will clearly provide better rates for the participants. (Pages e19-20 and Page e40)

(2)The applicant provides a specific and measurable timeline for the key milestones of the proposed project. This timeline will ensure that the purpose of the project is achieved in a timely manner. (Page e19) The applicant demonstrates that the anticipated performance measures of the Charter FINE Program will meet the goals and objectives of the project. The four goals and the aligned performance measures are specific and measurable. For example, one of the performance measures is to serve charter schools with a likelihood of success. That measure is aligned to goal three of the program, which states that serving charter schools with a likelihood of success will be measured by examining the continued track record of the charter school applications using the key performance metrics. (Page e41 and Page e22)

(3)The applicant plans to implement the proposed project by increasing the leverage of the credit enhancement grant through annual recycling of the Charter FINE Reserve. To create a pipeline the program will rely first on meeting demonstrated needs then creating and providing a cost-effective program for charter schools with a likelihood of success as well as high-need charter schools. The applicant has had past experience in implementing Credit Enhancement grant programs with experienced team members. The expectation is that the Charter FINE program will follow those procedures and timelines in order to achieve the measurable objectives and further the purposes of the program. (Page e15 and Page e41)

(4)The applicant demonstrates that the Charter FINE program is designed to replicate itself. It is designed to enable the reserve funded by the federal grant to be released as each approved loan is repaid and then the grant funds will be recycled to support the next round of approved financing. The projected recycling of the funds is based on an average of six years. (Page e15) This is an effective process to ensure replication. (Page e21 and Page e42)

(5)The applicant uses appropriate criteria for selecting charter schools for assistance for determining the type and amount of assistance to be given. The criteria relies on a 110 point matrix to determine the selections. These criteria include areas such as traditional schools that are identified in need of improvement, state academic assessments of students, and number of low-income students qualifying for free and reduced price meals. These criteria will ensure that the schools most in need and having the potential of success will be selected. (Page e42 and Page e21 and Page e38)

(6)The applicant indicates that the Charter FINE Program will leverage the existing knowledge and institutional infrastructure of the California School Finance Authority that will provide for continued work with public and private lenders. The projection of the applicant is that leveraged private-sector funding will be at 10:1. That is a strong leverage ratio and will ensure that an increase in the number of charter schools will be assisted in meeting their facilities needs more than would be accomplished absent the program. (Page e29, Page e31, and Page e43)

(7)The applicant clearly demonstrates that California has provided support for the growth of charter schools. The population of charter schools in the state has exceeded the average growth rate of the total school population. Charter schools can be authorized by the local education agency, a county office of education, or the state board of education. That effort indicates a broadened scope of methods of authorization. (Page e44)

(8) The applicant's request is for [REDACTED]. That request will expand the existing credit enhancement services provided by CSFA by 50%. This is reasonable as the applicant has the ability to address that growth. The budget narrative supports the reasonable costs of the project as only a total of [REDACTED] is budgeted for administrative costs. (Page 477)

Weaknesses:

(1)The applicant indicates that they will ensure that transaction costs and other fees will be reasonable. However, the applicant does not identify how these costs will be lowered and to what extent. (Page e40)

(7)The applicant does not provide any comparisons relating to other states to determine if California is in fact a stronger state. Without a comparison to other states' laws, it is not possible to determine if the laws defined in this application regarding California are strong.

Reader's Score: 32

Selection Criteria - Quality of Project Services

1. In determining the quality of the project services, the Secretary considers—

- (1) The extent to which the services to be provided by the project reflect the identified needs of the charter schools to be served;**
- (2) The extent to which charter schools and chartering agencies were involved in the design of, and demonstrate support for, the project;**
- (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

(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.

Strengths:

(1)The applicant will work effectively with the charter school community to develop program regulations that are consistent with the criteria that has been identified by the applicant. The Charter FINE Program will be shaped to respond to the needs of those schools identified. The applicant has a successful track record of creating and expanding financing for California charter schools. This project will provide appropriate financial services to additional charter schools. (Page e21 and Page e45)

(2)The applicant clearly demonstrates that charter schools and chartering agencies have been meaningfully involved with designing the program parameters. The California School Finance Authority collaborates with charter school constituents, stakeholders, legal, and financial experts to develop regulations and provide stakeholders an opportunity to comment on the program criteria prior to finalizing the regulations. For example, the Charter Schools Development Center has expressed involvement and support for the CSFA and this new Charter FINE program. This is an effective process to provide helpful input. (Page e42 and Page 23 and Letters of support Page e467-468)

(3) The California School Finance Authority will rely on several expert advisors to assist in the implementation of the Charter FINE Project. Several of these partners will provide appropriate and useful technical assistance. For example, IMPACTS USA Advisory Services includes advisors who craft management and financial solutions for leaders of governmental, non-profit, and development organizations. If these experts provide the technical assistance, those interventions will have the potential to increase charter schools' access to facilities financing. (Page e19 and Page e29 and Page e47)

(4)The applicant demonstrates that the Charter FINE program will include an emphasis on meeting demonstrated need. The goals and objectives clearly direct the regulations to focus on schools that are identified for program improvement, corrective action, or restructuring, serving students performing below proficient on state testing, and serving low-income students. Following these regulations will ensure that the schools with the most need will be provided with assistance. (Page e48)

Weaknesses:

(3)The applicant did not provide specific letters of support from the expert advisory individuals. Therefore, it is not clear how committed they are to providing technical assistance to the loan recipients. It is not clear how the experts will be utilized to serve individual schools.

Reader's Score: 13

Selection Criteria - Capacity

1. In determining an applicant's business and organizational capacity to carry out the project, the Secretary considers—

(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;
- (2) The applicant's financial stability;
 - (3) The ability of the applicant to protect against unwarranted risk in its loan underwriting, portfolio monitoring, and financial management;
 - (4) The applicant's expertise in education to evaluate the likelihood of success of a charter school;
 - (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;
 - (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;
 - (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
 - (8) For previous grantees under the charter school facilities programs, their performance in implementing these grants.

Note: The 35 available points under this selection criterion will be allocated evenly among the factors applicable to a particular applicant. For example, for an applicant for which none of factors (6)-(8) apply, the 35 available points will be allocated among the first five factors. Similarly, for an applicant that is a State governmental entity that is a previous grantee under the charter school facilities programs, the 35 available points will be allocated evenly among factors (1)-(5), (7), and (8)

Strengths:

(1)The applicant clearly demonstrates that the organization has the quality and amount of experience needed to carry out the activities within this proposed project. This includes debt issuances and facilitating financing. These types of experiences have been the focus for the Authority for nearly ten years. It has included several federal grants such as the 2017 grant to create the Project Acceleration Notes and Credit Enhancement Alternatives. The Authority has a positive record of success of the grants. For example, the 2019-2020 annual report indicated that nine schools were successfully granted funds. The Authority has administrated [REDACTED] under the Charter School Facilities' Enhancement Grant Program. The Authority has exceeded its leverage goal of 10:1 to a ratio of 17:1. This is more evidence as to the success of the applicant's approach to funding charter schools. (Pages e80-89 and Page e49 and Pages e30-31)

(2)The applicant has the financial stability that has been established since the Authority receives revenues from state and federal sources. The organization is established and does not rely on annual legislative approval. The applicant includes a program financial project (pro forma cash flow) that supports the financial stability of the organization. The recent auditor's report supports the financial stability of the organization as the reports are free from any material findings (Page e32 and Pages e300-360)

(3) The California School Finance Authority is an experienced lender and has robust policies and procedures in place to assess and mitigate risk. The executive director of the Authority has extensive experiences in loan underwriting that will provide leadership to address any issues with mitigation of risks in an appropriate manner. (Page e50 and Pages e25-26)

(4)The applicant has analyzed the financial soundness of charter schools since 2002. The proposed project will rely on criteria that will ensure the success of the charter schools. Those criteria include such elements as at least two academic years of instructional operations, management expertise of at least two academic years, and good standing with its chartering authority. These efforts will effectively evaluate the likelihood of success of the charter schools. (Page e50)

(5)The applicant demonstrates that the guidelines of the State's Political Reform Act will ensure that conflict of interest will be prevented. That act includes a comprehensive conflict of interest policy that is used by individual agencies and to be followed by all state employees and board members. It appears that the Authority has adopted these standards of conduct. (Page e31, Page e51, and Pages 99-190)

(6) This application does not include co-applicants.

(7) The state legislature and the California voters have adopted a multi-faceted approach to assist charter schools. One of those funding sources is the Charter School Facilities Program which now has [REDACTED] awarded for construction of new facilities and rehabilitation of existing school district facilities for charter schools. Another example is the Charter School Bank Loan Program, which was established in 2018 to encourage financial institutions to fund low-costs to charter schools seeking financing. The efforts of the state of California have established several quality efforts to assist charter schools to obtain adequate facilities. (Page e35-40)

(8) The applicant has received previous grants under charter school facilities programs. Since 2009, the Authority has administered an [REDACTED] grant. The applicant has completed the administration of grants successfully. The leverage ratio was 17.1 as a result of the work completed. (Page e53 and Page e79-89)

Weaknesses:

No weaknesses found.

Reader's Score: 35

Selection Criteria - Quality of Project Personnel

1. In determining the quality of project personnel, the Secretary considers--

- (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**
- (2) The staffing plan for the grant project.**

Strengths:

(1) The applicant demonstrates that the project personnel have appropriate qualifications that include relevant training and experiences. For example, the executive director has more than 20 years of municipal finance experience. She will be supported by a staff service manager that has extensive prior experience in program management as well as training in the state's regulatory processes. The applicant has also assembled a team of advisors to assist in the implementation of the project. These include individuals and organizations that have extensive experiences in work with charter schools. For example, the Charter Schools Development Center's executive director has been involved in implementations of charter schools since the early 1980s. (Page e53 and Page e34 and Page e25-29 and resumes)

(2) The applicant will use the same core team that has previously administrated three similar Charter Enhancement programs. This effort will provide a solid staffing plan for this grant program. The staff for this project will include 10 professionals and two support staff. This is an appropriate staffing plan for the scope of this project. (Page e54 and page e25)

Weaknesses:

No weaknesses noted.

Reader's Score: 15

Status: Submitted

Last Updated: 08/26/2021 07:31 AM