

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

Status: Submitted

Last Updated: 08/11/2023 02:48 PM

Technical Review Coversheet

Applicant: California School Finance Authority (S354A230015)

Reader #1: *****

	Points Possible	Points Scored
Questions		
Quality of Project Design and Significance		
Quality of Project Design and Significance		
1. Design and Significance	35	33
Sub Total	35	33
Selection Criteria		
Quality of Project Services		
1. Project Services	15	10
Sub Total	15	10
Capacity		
Capacity		
1. Capacity	35	35
Sub Total	35	35
Selection Criteria		
Quality of Project Personnel		
1. Project Personnel	15	13
Sub Total	15	13
Total	100	91

Technical Review Form

Panel #1 - CE Panel - 1: 84.354A

Reader #1: *****

Applicant: California School Finance Authority (S354A230015)

Questions

Quality of Project Design and Significance - Quality of Project Design and Significance

1. Quality of project design and significance (35 points). 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, California School Finance Authority, is requesting [REDACTED] to deploy two structures of the Federal grant with benefits accruing to non-profit charter schools located in California. (Page e14) The first structure entails [REDACTED] used to fund reserve funds sized to one year's debt service on long-term debt issued. The second structure will use [REDACTED] to fund guarantees of charter school facility lease payments guaranteed for up to five years. There are lower borrowing costs and transaction terms including no credit enhancement fees. Charter school borrowers benefit by not issuing additional debt incurring expenses from an estimated 7-10% of principal plus 30-40 years interest. The Facility Lease Guaranty Structure offers charter schools lower borrowing costs and better transactions terms compared to not having the credit enhancement. (Page e19- e20)
- 2) The applicant has a track record of successfully deploying prior Credit Enhancement grants awarded in 2009, 2017, and 2019 to fund [REDACTED] stand-alone debt reserve funds supporting [REDACTED] of conduit debt issues for California charter schools. They have developed a "Logic Model" with realistic assumptions that will result in intended outputs and outcomes over the 15-year period 69 charter school borrowers will benefit from the structure. (Page e57-e59)
- 3) The applicant has a successful history with the implementation of credit enhancement programs and an

experienced team will be serving in the same key roles. Current portfolio monitoring, discussions within a vast network, and market demand with charter schools is incorporated into the strategy. The timeline along with the enhanced financings are detailed as the key measurable objectives to be achieved by the program. (Page e57-e-59)

4) The applicant proposes to build upon their track record and with the existing infrastructure, demonstrates the ability to replicate the model in California where the largest number of charter schools operate, and largest population of students are enrolled. There is continued growth and need in the charter school sector. As of 2021-22 there were 1,292 charter schools educating 677,000 students in California. As a percentage of total student population charter school enrollment has increased 54.5% since FY 2012 with an average of 4.5% annually. Over this same 10-year period enrollment in traditional schools lost 9.8% with an average decline of 1.0% percent annually. (Page e34)

5) The Charter School Facilities Credit Enhancement Grant Program will use criteria in alignment with a regulatory process that involves charter schools and chartering agencies. The three criteria are, 1) traditional schools identified for improvement, corrective action or restructuring under Title I of ESEA, 2) state academic assessments of students compared to those attending traditional schools within the same geographic regions, 3) number of low-income students qualifying for Free and Reduced-Price Lunch.

6) The Charter School Facilities Credit Enhancement Grant Program's Financing Reserve Fund Structure is projected to leverage private-sector lending on a ratio of [REDACTED]. The leverage is [REDACTED] of private lending for every [REDACTED] of Loan Loss Reserve Grant. This vehicle lowers the overall borrowing amount needed to achieve practical reserves, increasing the number and/or size of loan private lenders can make to charter schools. Under this structure the Facility Lease Guaranty is projected to leverage federal grant funds by [REDACTED] assuming a 5-year lease average.

7) California became the second state to authorize charter schools in 1992 and continues with steady growth. Now California has the largest charter school segment in the United States both in the number of school and charter school students enrolled. In FY 2022 there were 1,292 charter schools with approximately 677,000 students compared to 10,660 traditional schools serving 5.2 million children. Schools will be measured prior to selection by examining enrollment trends, financial performance, and organizational capacity. (Page e22)

8) Since 2012 enrollment in charter schools has increased from 7.6% to 13.00% in FY 2022. The applicant's request for [REDACTED] with the anticipated results being enhancement of additional charter school financing of approximately [REDACTED] and facilitation of new charter school facility leases of [REDACTED]. The requested grant amount and project costs are reasonable as demonstrated by the historical success of the objectives and design.

Weaknesses:

7) The application could have been strengthened by including a source of information about the ranking of California as a state with strong charter school laws.

Reader's Score: 33

Selection Criteria - Quality of Project Services

1. Quality of project services (15 points). 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 has an accomplished track record in creating and expanding California's charter school expansion. California became the second state to authorize charter schools and they have ongoing involvement in the community. Over this period, they have developed seven programs to address needs in the charter school community demonstrating the ability to be innovative and address financing needs. This proposal will give them an opportunity to expand the CSFCE Grant Program and continue to address needs in the charter school community.

2) The applicant is involved in an extensive network in California and has collaborated in the design of the project. The support of multiple charter school stakeholders is evidenced by letters of support. (Page e391-e409) The California Charter Schools Association representing nearly 1,300 charter school serving over 675,000 public school students. Charter Schools Development Center and other charter schools note that in an environment of limited funding resources, and school sites the importance of the program.

3) The Authority has years of experience and since 2002 has disbursed [REDACTED] in charter school funding. There are ongoing relationships in the vast networks. The organizational structure includes the Authority and team members offering technical assistance ensuring fees are reasonable and more cost-effective. (Page e47)

4) The applicant's performance measures for the program are structured to achieve specific outcomes and benefits that include identifying schools with the following characteristics that include 1) identified for program improvement, corrective action or restructuring; 2) serving students performing below proficient on state testing; and 3) serving low-income students.

Weaknesses:

3) The application could have been strengthened by including more detail about technical assistance. Within this structure it's unclear as to what point charter school have access to technical assistance and length of time this is available.

Reader's Score: 10

Capacity - Capacity

1. Capacity (35 points). 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) To date, the Authority has developed seven programs. The applicant has a successful track record as a previous U.S. Department of Education grant recipient in 2009 for ██████████ for the Charter School Facilities Credit Enhancement Grant Program. ██████████ was launched in 2017 to create the Project Acceleration Notes and Credit Enhancement Alternatives (PANACEA). The third grant award for ██████████ was implemented in 2019 to create the Charter Access Bank Loan Enhancement (Charter ABLE) program. These successful programs demonstrate thorough engagement with the charter community on program criteria and design. (Page e47)

2) The Authority does not have a rating, however the State of California General Obligation (GO) bonds ratings are “AA-“ from Standard and Poor’s, “Aa2” from Moody’s Investor Service, and “AA” from Fitch Ratings. (Page e33) The applicant as a related entity to the State of California and is subject to an annual audit. Statements for FY 2019, FY 2020, and FY 2021 have no material findings. (Page e229-e365) They also receive annual appropriation from the state legislature to fund program administrative costs to ensure adequate resources. The Authority’s local assistance funds are continuously appropriated through the State’s budget which requires legislative approval and are within the scope of the audit as well.

3) The Authority has robust policies and procedures to assess and mitigate risk. Since 2002 the Authority has managed program activities that include policymaking, portfolio monitoring, financial management and risk mitigation expertise to ensure administration of the federal Credit Enhancement grant is consistent with prudent financial management and federal guidelines. (Page e49) The model enables them to conduct ongoing assessment to mitigate risk.

4) The Authority has historical experience analyzing the financial capabilities of charter schools since 2002. Through this ongoing process the Authority expanded educational opportunities in underserved communities of California. This requires collaboration with charter school operators, constituents, legal advisors, and finance experts to develop regulations for programs. (Page e23) The soundness of charter schools requires the review of at least two years academic years of instructional operations, educational plan, financial resources, facilities expertise, and management expertise. (Page e49) These activities and expertise ensure the success of a charter school.

5) The Authority as stewards of state and federal funds must comply with the State’s Political Reform Act which requires all government officials involved in governmental decision-making to disclose all sources of income, investments, and gifts. It prohibits officials from participating in, making, or attempting to influence decisions where they have financial interest. (Page e93-e213)

6) The Authority's structure and program requires that they work closely with multiple offices in the State of California. They will be supported for specific services by stakeholders and advisors. Within this structure team members have worked together on similar successful programs. (Page e49)

7) The State Legislature and voters of California have adopted a multi-faceted approach to assist charter schools in varying capacities. The Authority works closely with a vast network in assessing innovative financing needs. This includes participation in meetings at their facilities and the development of grant, loan, and bond financing programs. The applicant notes that comprehensive commitments are needed and charter schools in this state continue to face significant challenges to securing facilities.

8) The Authority has administered three credit enhancement programs funds through grant awards since 2009. The first [REDACTED] grant was under the Charter School Facilities Enhancement Grant program where they exceeded the leverage goal of [REDACTED] projected in the performance agreement. The actual leverage ratio of [REDACTED] enhancing [REDACTED] in bond financings and assisted 35 schools. The [REDACTED] grant for Project Acceleration Notes and Credit Enhancement Alternatives (PANACEA) Program launched 2018. The applicant has exceeded its leverage goal of [REDACTED] and reached a ratio of more than [REDACTED], enhancing [REDACTED] in bond financings and assisted nine schools. (Page e50)

Weaknesses:

No weakness identified.

Reader's Score: 35

Selection Criteria - Quality of Project Personnel

1. Quality of project personnel (15 points). 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 has staff and consultants with extensive experience working with the Authority. This includes in-depth experience with charter school activities, financing, construction, and operating issues. Principal and State Treasurer's Office staff members working on this program have 10-20 years of experience in education finance, charter school facilities, charter school policy issues, portfolio monitoring, and risk mitigation.

2) The project staffing is the same core team successfully administering three prior Credit Enhancement grant programs. The infrastructure is in place for the successful implementation and administration of new funds from the CSFCE Grant Program.

Weaknesses:

1) The application would have been strengthened by including an organizational chart to define areas of responsibilities.

Reader's Score: 13

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Technical Review Coversheet

Applicant: California School Finance Authority (S354A230015)

Reader #2: *****

	Points Possible	Points Scored
Questions		
Quality of Project Design and Significance		
Quality of Project Design and Significance		
1. Design and Significance	35	32
Sub Total	35	32
Selection Criteria		
Quality of Project Services		
1. Project Services	15	7
Sub Total	15	7
Capacity		
Capacity		
1. Capacity	35	31
Sub Total	35	31
Selection Criteria		
Quality of Project Personnel		
1. Project Personnel	15	12
Sub Total	15	12
Total	100	82

Technical Review Form

Panel #1 - CE Panel - 1: 84.354A

Reader #2: *****

Applicant: California School Finance Authority (S354A230015)

Questions

Quality of Project Design and Significance - Quality of Project Design and Significance

1. Quality of project design and significance (35 points). 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 California School Finance Authority's (the applicant)'s proposed [REDACTED] grant with two structures would provide facilities financing to charter schools at more favorable terms and rates than they could get through private sector lenders or lessors. Without that the schools would be on their own to budget costs to procure loans or philanthropic funds or to raise and deposit lease guarantees. The first structure would provide [REDACTED] in debt service funds for the acquisition, construction, or refinance of facilities. The second would provide [REDACTED] to fund guarantees of charter school facility lease payments. (P. e14.)

(2) The applicant would promptly deploy funds to charter schools. If awarded the requested grant in 2023, the applicant projects distribution of initial debt service funds to charter schools by summer 2024. (P. e26.) It projects the lease guarantee fund regulatory process would complete in early 2024, and eligible schools could begin applications by that summer. (P. e30.)

The proposal would help schools financially by providing alternatives to public financing sources available to traditional public schools but not to charter schools, such as local voter approved bonds or chargers for so-called "developer fees." (Pp. e37-e38.)

The applicant's proposal would also assist schools that would not qualify for other, more narrowly focused, or less favorable California charter school facility and other fundings programs such as the Charter School Bank Loan Program (p. e38), Charter School Facilities Grant Program (p. e39), or Charter School Revolving Loan Fund Program (p. e40.)

The applicant's four overarching goals are specific, measurable, and aligned to the proposal: to meet demonstrated needs, provide cost-effective financing, serve schools that have a likelihood of success, and serve high-need schools. (Pp. e21-e22, e44.) The applicant's anticipated performance measures and timeline provide tools for monitoring and evaluating the proposed program's performance. (Pp. e19, e22.)

(3) The proposed project activities and timeline are likely to achieve the applicant's goals. The two-structured finance plan would help early stage and established charter schools initiate or renegotiate leases or facilities acquisition agreements or contracts under affordable terms that are not available from public or private sources of capital. (P. e14, e15, e20.)

The applicant's existing and proposed ongoing partnerships would also support the program and help it achieve its goals. The California State Attorney General's office would provide legal counsel necessary to ensure compliance regarding federal programs and financing programs. (P. e26.) The California State Treasurer's Office would assist with the implementation and expansion of the applicant's proposed financing programs. (P. e26.) So would the existing relationship with Montague DeRose and Associates, LLC, an independent public finance advisory firm. (P. e28.)

Partnerships with the California Charter Schools Association, Charter Schools Development Center, and IMPACTS USA Advisory Services would provide a network to help the applicant publicize and implement its proposed activities. (Pp. e28-e30.)

(4) The applicant's past performance indicates its proposal is likely to produce replicable results. Since 2002 the applicant has distributed [REDACTED] to charter schools and districts, including working capital, through programs including the State Charter Schools Initiative Grant and Charter School Revolving Loan Fund named at page e23. The applicant received Charter Schools Credit Enhancement Program grants in 2004, 2009, and 2014. (P. e23.) During 15 rounds the applicant distributed credit enhancement funds to over 430 schools. (P. e24.) The team that administered that Credit Enhancement Program would administer the one proposed here. (P. e26.)

(5) The applicant's criteria for selecting charter schools are consistent with the types of assistance described in the proposed program. The criteria select charter schools with greatest needs by focusing on areas with large proportions of schools identified for improvement, that serve students performing below proficiency levels, and that serve low-income students. (P. e21.) The criteria would also identify charter schools with a high likelihood of success. (P. e22.)

(6) Evidence from the application indicates the applicant has leveraged and would leverage private or non-federal sector funding and increase the number and variety of charter schools assisted in meeting their facilities needs. The annual reports at pages e67 to e92 describe financing provided to charter schools serving a variety of K-12 grade spans. Schools used financing to acquire sites, construct or renovate facilities, or to refinance existing loans. Leveraging ratios in those annual reports range between [REDACTED]. The applicant's financial models for this proposal assume similar leveraging ratios for the loan program and a [REDACTED] ratio for the lease guarantee program in the short term. The applicant's model assumes much higher ratios in the long term. (Pp. e15-e16.)

(7) The proposal would serve schools in a state with strong charter school laws and supports. California's Charter School Act of 1992. (P. e31.) The applicant began services to charter schools in 2002 (P. e22.) Since 1991 California has enacted charter school support programs including the State Charter Schools Initiative Grant and Charter School Revolving Loan Fund named at page e23.

(8) The application indicates the grant amount and project costs are reasonable and sufficient in relation to the project design and project goals. The annual reports at pages e67 to e92 demonstrate the applicant's ability to select schools and tailor financing to meet their needs. The leveraging ratios in those reports show the applicant has the data and experience to project future ratios. Past performance indicates the applicant's budget narrative assumptions at page e412 are reasonable and attainable. The applicant's loan and lease guarantee structures described at page e14 align with the

charter school financing services it has provided and proposes to provide.

Weaknesses:

The application does not provide a copy of the school identification preference points referenced at pages e22 and e45. Without that it is not clear how the preference points inform the applicant's selection of high-need charter schools.

Reader's Score: 32

Selection Criteria - Quality of Project Services

1. Quality of project services (15 points). 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) As a state agency, the applicant uses its regulation making authority as a method to identify charter schools' needs for financial assistance. The process described at page e23 includes collaborations with charter school operators and organizations to develop draft regulations and public comment periods that help ensure support from the state's charter school community and from schools the applicant serves.

(2) Most letters at pages e392 to e410 expressing support for the application are from charter schools or charter school organizations.

(3) The loan and lease guarantee structures described at page 14 form the core of the proposed financial services. Their purpose is to provide cost-effective strategies for increasing charter schools' access to facilities financing and to favorable fees and terms. On page e18 the applicant explains that its reserve fund structure will help longer tenured charter schools finance their facilities by reducing the principal amount of the debt and the interest paid on it during a long term loan of 30-40 years. The applicant's guarantees of facility lease payments will help early stage and growing charter schools because private sector lessors are usually reluctant to lease facilities to charter schools with short operating histories. (P. e15.) Charter schools would also benefit because the applicant will not charge fees for either the reserve fund or the lease guarantee program. (P. e14.)

Weaknesses:

(2) It is unclear exactly how and when charter schools, charter school organizations, charter authorizers, or other stakeholders were involved in the proposed project's design. At page e47 the application states "the regulations to implement [the grant program] will be developed through a transparent regulatory process that involves charter schools and chartering agencies in the design of the program parameters." That is in the future tense. The application does not

detail how and when charter schools and their stakeholders were involved in designing this proposal.

(3) The applicant does not describe the process and timeline or provide an example of the tool it would use to determine a school's likelihood of success or needs for assistance.

Reader's Score: 7

Capacity - Capacity

1. Capacity (35 points). 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 application shows the applicant has the experience, staffing, and partnerships necessary to carry out the proposed activities related to enhancing credit, guaranteeing leases, and facilitating financing. The annual reports at pages e67 to e92 describe credit enhancement financing provided to charter schools serving a variety of K-12 grade spans. Schools used financing to acquire sites, construct or renovate facilities, refinance existing loans, and make leases.

(1) The resumes of key staff at pages e60–e66 indicate they have the training and experience necessary for their positions and responsibilities to perform the proposal's credit enhancement and related financial activities.

The partnerships with the California State Attorney General's and California State Treasurer described at page e26 provide additional experience and staffing to support the applicant's proposed activities. The existing relationship with Montague DeRose and Associates, LLC, adds another layer of experience related to public financing. (P. e28.)

(2) The applicant receives revenue from state and federal sources. (P. e33.) State funds disbursed through its programs are continuously appropriated. That prevents interruptions in approved awards to schools without a need for annual appropriations. (Pp. e33-e34.) Audits provided for FY 2019, FY 2020, and FY 2021 on pages e233 to e366 indicate no material weaknesses and no federal compliance findings.

(3) The applicant has demonstrated its ability to protect against unwarranted risk in its loan underwriting, portfolio monitoring, and financial management. It has distributed [REDACTED] to charter schools and districts, including working capital, through programs including the State Charter Schools Initiative Grant and Charter School Revolving Loan Fund named at page e23. The partnerships with the California State Attorney General's and California State Treasurer described on page e26 provide additional risk mitigation. Audits provided for FY 2019, FY 2020, and FY 2021 at pages e233 to e366 indicate no material weaknesses and no federal compliance findings.

(5) The applicant has a statutory responsibility to prevent conflicts of interest by its employees. Like other California state agencies, the applicant is governed in part by the state's Political Reform Act of 2021, a copy of which is on page e93. Chapter 7, Conflicts of Interest, begins at page e176. In parts, it requires each government official involved in decision making to disclose all sources of income, investments, and gifts and prohibits them from participating in or attempting to influence any decision in which they have a financial interest. (P. e33.) Given the applicant's operations and responsibilities, the Reform Act provides an important risk prevention.

(7) The applicant will take steps to ensure California charter schools receive needed facilities financing. The loan and lease guarantee structures described at page 14 form the core of the proposed financial services. Their purpose is to provide cost-effective strategies for increasing charter schools' access to facilities financing and to favorable fees and terms.

(8) The applicant has taken steps to ensure charter schools within California receive the funding needed to obtain adequate facilities. Those steps include implementing Credit Enhancement grants. The applicant received Charter Schools Credit Enhancement Program grants in 2004, 2009, and 2014. (P. e23.) During 15 rounds the applicant supported over 430 schools with Credit Enhancement funds. (P. e24.) The annual reports at pages e67 to e92 indicate the applicant deployed credit enhancement financing to charter schools large and small serving a variety of K-12 grade spans.

Weaknesses:

(4) The applicant does not describe the process and timeline or provide an example of the tool it would use to determine the likely success of a school's education program.

Reader's Score: 31

Selection Criteria - Quality of Project Personnel

1. Quality of project personnel (15 points). 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 resumes of key staff at pages e60-e66, including the executive director, indicate they have the training and experience necessary for their positions.
- (2) The staffing plan will build on the applicant's experience managing four prior Credit Enhancement programs. The core team that managed those programs would manage this one, with expansion funded at least in part by the requested grant. (P. e51.)

Weaknesses:

- (1) It is unclear which key person has the expertise, qualifications, and responsibility to evaluate the likely success of a charter school's existing or proposed education program. The synopsis of the applicant's staff's and consultants' experience at page e502 emphasize finance, construction, and operations. Education program evaluation is not mentioned. The resumes at pages e60-e66 do not assign responsibility for education program evaluations. Additionally, the application does not include resumes for less senior key staff. On pages e60-e66 the application provides resumes for only its executive director, for the managing director of a firm employed to assist in grant program implementations, and for the CEO of an advisory network helping government and non-profit organizations craft financial programs. On page e25 the applicant states 10 professionals and 2 support staff will assist the executive director. A complete understanding of the applicant's staffing plan is not possible without the resumes or biographies of the key people among those less senior staff.

Reader's Score: 12

Status: Submitted
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Status: Submitted

Last Updated: 08/11/2023 04:09 PM

Technical Review Coversheet

Applicant: California School Finance Authority (S354A230015)

Reader #3: *****

	Points Possible	Points Scored
Questions		
Quality of Project Design and Significance		
Quality of Project Design and Significance		
1. Design and Significance	35	33
Sub Total	35	33
Selection Criteria		
Quality of Project Services		
1. Project Services	15	7
Sub Total	15	7
Capacity		
Capacity		
1. Capacity	35	35
Sub Total	35	35
Selection Criteria		
Quality of Project Personnel		
1. Project Personnel	15	15
Sub Total	15	15
Total	100	90

Technical Review Form

Panel #1 - CE Panel - 1: 84.354A

Reader #3: *****

Applicant: California School Finance Authority (S354A230015)

Questions

Quality of Project Design and Significance - Quality of Project Design and Significance

1. Quality of project design and significance (35 points). 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 California School Finance Authority (CSFA) proposes to divide the [REDACTED] grant into two structures they feel will get the most impact for the grant dollars. The first financial structure CSFA the applicant will utilize is to leverage [REDACTED] to stand-alone debt service reserve funds to be allocated to assist charter schools with the purchase of facilities. The remaining [REDACTED] will be structured solely towards lease payments with a guaranty term of up to five years. (e44)
- 2) To ensure the applicant's success there are charts on pages e15-e19 of the Grant Narrative which draft the terms of this grant program and strengthen and support this effort, there is a timeline provided on page e19 of the Grant Narrative followed on page 7 with an outline of measurable goals.
- 3) Besides working closely with local and California charter school leaders, the applicant intends to extend engagement to partners such as investment banks and lenders to have the capability to "scale up" without delay. (e21). By engaging both professionals with expertise in finances, development, and the education side of charter school's operations, it is within the capacity of the applicant to achieve the measurable goals set forth in the timeline and provide needed facility financing. (e45)

4) With over 20 years of experience of working with California charter schools the applicant has polished and refined their program making it replicable to other states and the capital investment communities. (e22-e23). Additionally, a synopsis of the capability to replicate this program is provided on page e45.

5) There is strong evidence the applicant will utilize a transparent regulatory process as the criteria for seeking schools to engage in their program. Preference points will be given to potential clients by using benchmarks that will include scrutiny of academic progress; the percentage of educational, economically disadvantaged students, and if there are any areas where there are accreditation corrective actions are in place. (e45)

6) The strategy of the applicant is to leverage [REDACTED] of the grant with a ratio of [REDACTED] and thus increase the number and size of loans that private lenders can make. The CSFCE (Charter School Financial Credit Enhancement) Grant Program is under the applicant's umbrella and will be the actual fiscal management entity. CSFCE has the resource knowledge to leverage other institutional opportunities for a potential client within the applicant's realm. It is as if there is a "one-stop, shop" theory. Therefore, this applicant fulfills expectations to meet this criterion. (e45-e46)

7) The applicant states there are state statutes that ensure charter schools have the legislative support to nurture the existence of nearly 1,300 charter schools (e36). The applicant will be assisting only California charter schools. The applicant provides extensive documentation California has progressive legislation to support charter schools. (e34, e36, e37, e38)

8) The design and potential impact of the [REDACTED] grant is appropriate and consistent with the needs of California's state charter schools. This determination is a culmination of evidence provided by the charts and graphs, anecdotal notes, and research of the California charter school climate.

Weaknesses:

5) Preference Points are mentioned but there needs to be more clarification as to how much weight will be given to each area. For example, will more weight be given in the area of academic progress or to the number of economically disadvantaged students a school serves?

Reader's Score: 33

Selection Criteria - Quality of Project Services

1. Quality of project services (15 points). 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) According to the grant application California has the largest segment of charter schools nationwide, and with this grant proposal, the applicant proposed loan rates and terms made available to participating charter schools. This program is designed to lower total borrowing amounts; improve creditworthiness and put in place reasonable transaction rates and other fees the newly created charter must assume. (e44)

2) There is evidence the applicant will engage charter school leaders and chartering agencies for feedback in the design of this program as noted with the Letters of Support. These letters of support were strong because they were from officials representing the California state treasurer, the California Department of Education, US Department of Education along with local charter leaders. (e393-e410)

Weaknesses:

3) There is no stated technical assistance effort that would assist their clients to better understand the financial profession with regard to loans and acquisitions and no monitoring strategy was found. For charter school leaders, this knowledge would be key to assisting them as they move forward and work to sustain and manage the facility's financing. (e47)

4) There are general bullet points in place (e48) showing the goals to be achieved by the client but there is no documentation on how CSFCE will assist these charters to ensure their success.

Reader's Score: 7

Capacity - Capacity

1. Capacity (35 points). 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) This applicant has the experience and expertise to fulfill the activities and goals they propose. They have proven they have the capacity to manage credit and debt issuances and facilitate facility financing for charter schools (e48). The applicant provides evidence they have done this for over 20 years successfully.

2) As a state agency, CFSA receives funding from multiple sources besides generating revenue through bond issuance. They also receive an appropriation from the California legislature to fund administrative costs. Documentation of audits along with financial statements from FY 2019, FY 2020, and FY 2021 prove the applicant has strong financial standing. (e48 and Attachments 1-1, 1-2, and 1-3)

3) With over 20 years of experience, CFSA and its financial management entity have reduced the challenges of unwarranted risk. CFSA implements robust policies and procedures to assess and diminish risk while at the same time offering their clients financial options such as lower interest rates, and transaction fees They have the capability to analyze the financial soundness of charters and through their relationships be adept and understanding when potential risk issues might arise. (e4)

4) The applicant shows they have strong educational expertise that enables them to evaluate at least two academic years of instructional operations; ensure the school is in good standing with their authorizer and their financial statements are free of material exceptions. By including the educational benchmark evaluations, a stronger relationship between lender and client is inherent. (e49)

5) CFSA has the ability to prevent conflicts of interest because of its adopted Conflicts of Interest policy which all California governmental agencies must comply with. This is required through the State's Political Reform Act. (e49)

6) This subfactor does not apply to the applicant.

7) Documentation on page 37 demonstrates that California voters and legislators have endorsed a multi-faceted approach to assist charters with meeting their facilities' needs. The applicant goes on to state these legislative commitments were oversubscribed and California charter schools continue to face facility funding challenges. (e50)

8) Since 2009 CFSA has received four Charter School Facilities Enhancement Grants the first two were proven credible with impact. The fourth grant is currently undergoing the review process. CFSA is confident the last grant will prove as successful as the previous grant awards. Additionally, the expertise and historical success showcase the applicant as a strong candidate to carry out the proposed goals and impacts for this [REDACTED] grant. The applicant has received four federal grants to enhance the ability of California charter schools to have adequate facility funding. These three grants provided the seed money to launch three programs 1) Charter School Facilities Credit Enhancement Grant program; 2) Project Acceleration Notes and Credit Enhancement Alternatives finally, 3) the Charter Access Bank Loan Enhancement

program. (e48)

Weaknesses:

No weaknesses were found.

Reader's Score: 35

Selection Criteria - Quality of Project Personnel

1. **Quality of project personnel (15 points).** 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) According to the resumes and biographical notes in the application (Attachment E), there is a strong, highly- competent staff who will be working with the applicant to ensure these federal dollars are efficiently spent for the impact and benefit of the students and their families. (e50)

2) There is a comprehensive staffing plan in place as seen on both page e50 and in Part B Involvement of Charter Schools. Because the staff has implemented three previous grants, they are ready to expedite the implementation of this program by summer 2024. (e51)

Weaknesses:

No weaknesses were found.

Reader's Score: 15

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