

PR # S354A230015
Applicant: California School Finance Authority
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Project Name: Charter School Facilities Credit Enhancement Grant Program

The California School Finance Authority (CSFA) has the proven experience, infrastructure, and regulatory and statutory authority to successfully implement an expanded Credit Enhancement program. CSFA's capabilities are demonstrated through its success in administering a broad portfolio of charter school facilities financing programs funded under Credit Enhancement, including having successfully implemented its 2009 Charter School Facilities Credit Enhancement award of \$8.3 million, launched its 2017 Project Acceleration Notes And Credit Enhancement Alternatives Program with an award of \$8 million, implemented its 2019 Charter Access Bank Loan Enhancement program with an award of \$20 million, and won its fourth Credit Enhancement award for its Charter Financing Enhancement Program.

Since the creation, the CSFA Act and its subsequent amendments, CSFA has employed its portfolio of grant, loan, and bond financing programs to promote:

- 1) access to charter school facilities financing;
- 2) growth of charter schools overall in California;
- 3) targeting of high performing charter schools in communities having the most need; and
- 4) the infusion of public and private funds for capital improvements and new construction of charter school facilities.

Since 2002, CSFA has awarded over \$4.9 billion to California charter schools, primarily to meet facility needs.

The expanded Program set forth by CSFA will build on the structure of existing programs to provide Credit Enhancement on a range of financings made for charter school facility projects. This Program will increase access to financing for charter schools at better rates and terms and will assist charter schools to realize new or improved facilities sooner, by assisting with both construction and renovation projects and new facility leases (primarily for early-stage charter schools). Both types of financial assistance will have strong credit quality due to CSFA's unique state funding intercept program. Over the first ten years, the debt service reserve program has a goal of a minimum leverage of approximately 14:1 and approximately 5:1 for the lease guarantee aspect. The ratio is expected to increase to 32:1 and 17:1, respectively, after year ten if the grant funded-guarantees for bond transactions are released due to refundings and the grant-funded guarantees for lease transactions are released at the end of the lease term, with released funds then recycled to enhance new bond or lease transactions. This grant will allow charter schools to affordably complete their permanent facilities or lease appropriate intermediate facilities sooner without incurring high-rate debt or dramatic budgetary cuts.

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