



## Charter Schools Development Corporation

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September 20, 2017

The Honorable Betsy DeVos  
Secretary  
U.S. Department of Education  
400 Maryland Ave., SW  
Washington, DC 20202

Dear Secretary DeVos:

The Charter Schools Development Corporation (CSDC) appreciates the opportunity to comment on the U.S. Department of Education regulations and guidance pertaining to the Charter Schools Program, specifically the Credit Enhancement for Charter School Facilities (CE) Program. CSDC has received five prior CE grants, the most individual grants of any grantee, and the second largest recipient by dollar amount, so is well versed in the program's regulations and compliance requirements.

CSDC, a 501(c)(3) tax-exempt, District of Columbia nonprofit corporation and Community Development Financial Institution (CDFI), was established in 1997 and has helped public charter schools acquire and finance facilities at the lowest possible cost, first as a credit enhancement provider, then as a nonprofit developer of facilities for lease with purchase option, and most recently, as a lender to charter school organizations. CSDC's mission is to support quality public school choice for underserved students by developing and financing affordable charter school facilities nationally.

CSDC is submitting comments intended to reduce the compliance burden for grantees while still ensuring that the legislative intent of the program is carried out, and that the highest quality grant applications receive awards. We believe adoption of these modifications would increase program efficiency and minimize reporting redundancy without diminishing the end benefit, i.e., affordable and safe facilities in which charter schools can educate children.

### **1) Set a Reasonable Performance Period End Date**

Section F.20 of the Guidance document provides the following definition: *"The grant period will run from the start date indicated on the grant award document until the Federal funds and earnings on those funds have been expended for the grant purposes or until financing facilitated by the grant has been retired, whichever is later."*

This broad definition can cause the grant period to extend for decades, particularly if the grantee guarantees long-term debt and/or recycles the Reserve Account to guarantee additional debt as loans repay. Since the definition is in no way linked to performance goals, a grantee may have completed its initial grant period and far exceeded its financing and impact targets, but still remain subject to the same lengthy reporting requirements, including completion of the Annual Performance Report "(APR)," participation in quarterly monitoring calls, and time-consuming program audits. This is inefficient for both grantees and Department staff.

We recommend that the grant period during which ongoing compliance reporting is required instead be linked to the 10-year performance goals first proposed in the original grant application and peer reviewed, and then formalized in the grant performance agreements. The grant period during which ongoing compliance reporting is required should conclude when all of the performance goals are achieved. Extensions can be granted by the Department staff, and compliance reporting would continue, if the grantees do not meet the agreed upon performance goals within the original 10 year grant period.

Currently, after the initial 10-year grant period, the grantee negotiates updated performance agreements with Department staff that identifies new annual performance goals that are not peer reviewed, but rather, determined subjectively by Department staff. We do not believe this is the best use of Department staff, nor the intent of the program.

Once a grantee delivers on its contractual goals, greatly multiplied the impact of the grant dollars and maintained closely-monitored compliance over an extended period, grantees would be released from reporting requirements. CSDC proposes that grant funds would revert to net assets of the grantee and continue to be utilized consistent with the grantee's nonprofit mission. Reporting and compliance under the current regulations could last for decades, creating an unneeded drag on grantee and Department resources that could be much better spent in increasing access to credit for charter schools.

## **2) Streamline Compliance Reporting Requirements and Reduce Administrative Burden**

The APR excel spreadsheet currently requires the collection and reporting of 41 unique data points in separate fields for each school served, with several fields requiring annual updates. We recommend that the Department conduct a comprehensive review to ensure the data collected is actually analyzed or used for a specific purpose or provides concrete value for compliance or program assessment. We have listed several fields below in the current version of the APR excel spreadsheets that we believe can be modified or removed:

Column C. Type of Transaction – Can this be determined based on the year of the report in Column A and/or the response to Column AD?

Column H. Are there any ongoing construction/facilities projects at this school? – Is this data point necessary and is it actively used by the Department? Regardless of the answer, it does not guarantee nor prevent the school from receiving additional credit enhancement in future years.

Column I. How were grant funds used to secure or credit-enhance financing? - Can this be consolidated with other descriptive fields? Or, consider a drop down menu with choices for loan loss reserve, additional collateral, lease guaranty, other.

Column J. Briefly Describe Source and Type of Financing - Can this be determined based on the response to Columns K and AD?

Column M. Amortization Structure(s) - Is this data point necessary and is it actively used by the Department?

Column N. Amortization Schedule(s) - Is this data point necessary and is it actively used by the Department?

Column P. Conversion Feature(s) - Is this data point necessary and is it actively used by the Department?

Column R. Basis for Calculating the Interest Rate(s) - Is this data point necessary and is it actively used by the Department?

Column X. How was the financing used? – Is this data point necessary and is it actively used by the Department?

Column Y. Was financing for an addition, an existing building, or a new building? – Is this detail necessary and is it actively used by the Department? Often, financing is used for a combination of the choices in the same transaction yet grantees are forced to select one option. For example, a school could finance improvements to its existing building while simultaneously constructing an addition to its existing building. Why is the distinction important?

Column AB. Financed Amount Outstanding for this school - Is this data point necessary and is it actively used by the Department? This amount has no bearing or impact on a grantee's ability to serve more schools. The relevant data point is collected in Column AC where grantees track the amount of credit enhancement outstanding each year (which is very relevant).

Column AL-AO. – Proficiency rates at school and state levels – While we acknowledge the value in collecting performance data from individual schools and comparing that to performance data at the local and/or state level, we don't believe the way it's reported on the APR provides meaningful context to the Department. The Department has access to all state performance data and could more readily and reliably collect this information. Many grantees value or weigh growth scores more heavily than proficiency rates at a single point in time. Still other grantees work with those schools with "the greatest demonstrated need for assistance" like new or early stage schools, schools serving high proportions of at-risk or homeless students, etc. Proficiency rates at these schools often lag, but lacking context on the APR, a wrong interpretation could easily be made by anyone reviewing the APR regarding the grantees performance. Perhaps if a specific grantee is reporting excessive defaults or school closures, the Department could intervene and provide technical assistance or require additional reporting from that individual grantee without requiring this data field annually for each school served.

Thank you for the opportunity to submit these comments on behalf of CSDC. I've been the Project Director of all five of CSDC's CE grants and have completed the APR's annually for over a decade. If you have any questions or need any clarification on my comments, please don't hesitate to contact me via email at [mliberati@csdc.org](mailto:mliberati@csdc.org) or phone at (443) 561-1280.

Sincerely,



Michelle Liberati

Executive Vice President & Project Manager CE Grants