

September 20, 2017

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

Dear Secretary DeVos:

The California Charter Schools Association appreciates the opportunity to comment on the U.S. Department of Education regulations and guidance pertaining to the Charter Schools Program, including both the State Charter School Facilities Incentive Grants Program (“Incentive Grants”) and the State Credit Enhancement for Charter School Facilities (CE) Program. Both of these programs have been incredibly valuable to the charter schools of California.

Incentive Grants Program. As you know, California has approximately 1,200 charter schools—more than any other state in the nation. Moreover, the largest concentration of these schools are in the large metropolitan areas of Los Angeles, the San Francisco Bay Area, and San Diego, where high quality public schools of choice are achieving outstanding academic results in many communities that lacked quality options prior to the growth of the charter school sector. However, in addition to a thriving charter school sector, these metropolitan areas are also experiencing incredible growth in the value of commercial real estate, and several are among the most expensive markets in the nation. In addition to incredibly expensive real estate markets, California charter school operators must also navigate some of the strictest zoning, land use, and environmental regulations in the nations. Due to these and other factors, developing charter school facilities in California is an increasingly costly endeavor, and additional facilities funding is critically needed.

The Incentive Grants program, as successfully implemented by the California School Finance Authority (CSFA) has provided a key source of funding to help charter schools in the state meet their facilities funding challenges. This vital program has provided more than \$115 million in funding to support approximately 400 charter schools. As a result, more than 150,000 charter school students have benefitted from having access to higher quality school facilities. We strongly support the continuation of the Incentive Grants program under the current framework, and oppose any program changes that would provide competitive funding priorities to states that have not previously received funding. California has both a great need for this funding, and a proven track record of expert program administration by CSFA, and should not be placed at a competitive disadvantage for having received funding previously under the program.

Credit Enhancement Program. CCSA is a recipient of a credit enhancement grant awarded in 2006. In the years following this grant, CCSA has been able to leverage the \$10 million credit enhancement grant to help 35 California charter schools obtain more than \$250 million in facilities financing. Nationwide, through FY 2014, more than 500 schools in 33 states and the District of Columbia have benefited from the CE program.

The Credit Enhancement Program, like the Incentive Grants Program, has been incredibly valuable to California charter schools that are in need of facilities funding or financing. We also strongly support the continuation of this program. While we strongly support the program, we also believe that the Department should consider some modest program changes recommended by the Charter School Lenders’ Coalition. These changes are designed to reduce the compliance burden for CE grantees while still ensuring that the legislative intent of the

program is carried out, and that grant funds are used in the most efficient and effective way possible to support the development of affordable facilities for quality charter schools. We believe adoption of these suggestions would increase program efficiency without reducing the end benefit to charter schools and the teachers, communities and the children they serve.

1) Set a Reasonable Grant Period End. The current program guidance states that *“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 uses the Reserve Account to guarantee additional debt as loans repay. This definition is not linked to performance goals, and even a grantee that has completed its initial grant period and far exceeded financing and impact targets still remains subject to 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. Once a grantee delivers on its contractual goals, has greatly multiplied the impact of the grant dollars and maintained closely-monitored compliance over an extended period, grantees would be released from reporting requirements.

2) Streamline Reporting Requirements. The Annual Performance Report excel spreadsheet currently requires the collection and reporting of 41 unique data points in separate fields for each school, 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.

3) Make Awards to the Highest Scoring Applicants. Program regulations currently specific that the Department must aim to make at least one award to a non-profit, one to a public entity and one to a consortium in each funding round. As a result, a high-scoring entity in one category could be blocked from receiving funds by a lower-scoring entity in another category. We believe that awards should be made based on the merit of the applicant and the benefits they deliver to charter schools, rather than the type of organization. Thus, we recommend encouraging applicants in all three categories but making grant awards in the order of the highest scoring applications.

Thank you again for the Department’s long-standing support for charter schools, and these essential facilities funding programs. If Department staff has any questions regarding any of the policy issues raised in this comment letter, please let us know.

Sincerely,

A handwritten signature in black ink, appearing to read 'Carlos Marquez', with a stylized, flowing script.

Carlos Marquez
Senior Vice President, Government Affairs
California Charter Schools Association