capital for healthy
families & communities

September 20, 2017

Ann Margaret Galliatsos
James Houser
Room 4W245, FB-6
U.S. Department of Education
400 Maryland Ave., SW
Washington, DC 20202

Dear Ms. Galliatsos and Mr. Houser:

The Low Income Investment Fund (LIIF) 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.

As a leading national CDFI, LIIF invests capital in low-income people and communities. Since its founding in 1984, LIIF has invested $2.0 billion in projects serving highly distressed neighborhoods, serving 1.9 million people and generating $53.8 billion in family and societal benefits. Quality education is essential to ending the cycle of poverty. It is a critical factor in enhancing a person's opportunity for economic mobility and asset growth, and puts every child in a position to excel. LIIF has invested $518 million in high-performing schools to create over 88,000 student spaces.

Since its inception under No Child Left Behind in 2001, the CE program has done an exceptional job of using public funds to leverage private investment in charter school facilities and serve a variety of communities. Through FY 2014, more than 500 schools in 33 states and the District of Columbia have benefited from the CE program, which has historically leveraged 15 private dollars for each public dollar of investment.

LIIF is submitting comments intended to reduce 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. LIIF believes 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.

Low Income Investment Fund
100 Pine Street
Suite 1800
San Francisco, CA 94111

415.772.9094 tel
415.772.9095 fax
www.liifund.org

San Francisco
Los Angeles
New York
Washington D.C.

1) Set a Reasonable Grant Period End

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 uses 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 performance goals first proposed in the original peer-reviewed grant application, 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. We propose discussion with Department staff to explore ways in which these funds can be leveraged for maximum impact once the performance grant period has expired.

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 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. We have listed several fields below that we believe can be modified or improved:

<u>Column C. Type of Transaction</u> – 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?

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.

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 this is currently reported on the APR provides meaningful context to the

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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.

Sincerely,

Jonathan Harwitz
Managing Director of Federal Policy and Government Relations
Low Income Investment Fund

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Suite 1800
San Francisco, CA 94111

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