

# CHARTER SCHOOL FACILITY FUNDING

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## JOINT REPORT TO THE LEGISLATURE

JULY 23, 2003

*Prepared for the Legislature by the:*

STATE ALLOCATION BOARD

*and the*

CALIFORNIA SCHOOL  
FINANCE AUTHORITY

*Prepared for the State Allocation Board by the:*

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# CONTENTS

## PREFACE 1

INTRODUCTION.....1  
 ABOUT THE SAB/OPSC .....1  
 ABOUT THE CSFA ..... 2  
 SUMMARY OF PROGRAM..... 2

## STATE ALLOCATION BOARD AND THE OFFICE OF PUBLIC SCHOOL CONSTRUCTION

### PART A: SECTION ONE ..... 5

#### IMPLEMENTATION OF THE ARTICLE AND DESCRIPTION OF PROJECTS FUNDED

SAB AND OPSC PROCESS..... 5  
 STATEWIDE OUTREACH ..... 5  
 OPSC AND CSFA INTERFACES..... 5  
 APPLICATION PROCESS ..... 6  
 DESCRIPTION OF PROJECTS FUNDED ..... 6  
 CHARTER SCHOOL FACILITY PRELIMINARY APPORTIONMENTS .....7

### PART A: SECTION TWO ..... 9

#### SCHOOL FACILITY PROGRAM—ALTERNATIVE FUNDING OPTIONS FOR CHARTER SCHOOLS

FUNDING OPTIONS FOR CHARTER SCHOOLS ..... 9  
 SUMMARY OF SCHOOL FACILITY PROGRAM..... 9  
 NEW CONSTRUCTION ELIGIBILITY AND FUNDING..... 9  
 MODERNIZATION ELIGIBILITY AND FUNDING ..... 10  
 CHARTER SCHOOL PROJECTS FUNDED THROUGH THE SFP ..... 11

CONTENTS

**PART A: SECTION THREE ..... 13**  
**RECOMMENDATIONS FOR STATUTORY CHANGES**  
ISSUE ONE: CRITERIA FOR FUNDING ..... 13  
ISSUE TWO: ENROLLMENT UPDATES ..... 13  
CONCLUSION..... 13

CALIFORNIA SCHOOL FINANCE AUTHORITY

**PART B: SECTION ONE ..... 17**  
**IMPLEMENTATION OF THE ARTICLE AND DESCRIPTION OF  
THE APPLICANTS DETERMINED FINANCIALLY SOUND**  
CSFA PROCESS .....17  
OPSC AND CSFA INTERFACES.....17  
APPLICATION PROCESS .....17  
FINANCIALLY SOUND DETERMINATIONS .....17  
FINANCIAL INDICATORS..... 18  
OPERATIONAL INDICATORS ..... 19  
CO-BORROWER OR GUARANTOR.....20  
MATERIAL RISKS ..... 21  
CONDITIONS FOR FINANCIALLY SOUND DETERMINATIONS..... 21

**PART B: SECTION TWO .....23**  
**RECOMMENDATIONS FOR STATUTORY CHANGES**  
ISSUE ONE: ROLES AND RESPONSIBILITIES OF  
THE SAB/OPSC AND CSFA ..... 23  
ISSUE TWO: PRIOR MANAGEMENT TEAM EXPERIENCE AND  
FINANCIAL PERFORMANCE ..... 23  
ISSUE THREE: TECHNICAL AMENDMENTS TO FACILITATE  
CHARTER SCHOOL FINANCINGS .....24  
ISSUE FOUR: CHARTER SCHOOL ELIGIBILITY UNDER THE CSFP..... 25

**PART B: SECTION TWO...**

ISSUE FIVE: RELEASE OF FUNDS..... 25  
ISSUE FIVE: AUDITING REQUIREMENT..... 25  
MISCELLANEOUS COMMENTS..... 26

APPENDIX ONE..... 27  
LISTING OF APPLICANTS

APPENDIX TWO..... 29  
SUMMARY: CSFA'S PRELIMINARY FINANCIALLY  
SOUND DETERMINATIONS

APPENDIX THREE..... 31  
ADDITIONAL PROJECT STATISTICS

APPENDIX FOUR..... 33  
SUMMARY DESCRIPTIONS FOR APPLICANTS RECEIVING A  
PRELIMINARY APPORTIONMENT UNDER  
THE CHARTER SCHOOL FACILITIES PROGRAM (CSFP)

APPENDIX FIVE..... 47  
ADDITIONAL PUBLIC COMMENT ON  
STATUTES AND REGULATIONS

## CONTENTS

## PREFACE

### INTRODUCTION

Chapter 935, Statutes of 2002, (AB14—Goldberg) created a pilot program within the existing State School Facility Program (SFP) that allows the State Allocation Board (SAB) to provide funding for the new construction of charter school facilities. Within Proposition 47, approved by the voters in November of 2002, \$100 million was made available for the Charter School Facility Program (CSFP). This report has been prepared by the Office of Public School Construction (OPSC), on behalf of the SAB, and the California School Finance Authority (CSFA) in compliance with Education Code (EC) Section 17078.50 to assist the Legislature in determining the best possible way to deliver future facility funding to charter schools. This report contains an explanation of how the program was implemented, a description of the projects funded by the SAB, other methods the SAB uses to fund charter schools outside of this program and lastly recommendations for statutory changes. The report has been divided into Part A, which was prepared by OPSC, and Part B, which was prepared by CSFA.

### ABOUT THE SAB/OPSC

#### SAB

The SAB is responsible for determining the allocation of state resources (proceeds from General Obligation Bond Issues and other designated state funds) used for the new construction and modernization of local public school facilities. The SAB is also charged with the responsibility for the administration of the SFP, the State Relocatable Classroom Program, and the Deferred Maintenance Program. The SAB is the policy level body for the programs administered by the OPSC.

The SAB is comprised of the Director of Finance (the traditional chair), the Director of the Department of General Services, the Superintendent of Public Instruction, three members of the Senate, three members of the Assembly, and one appointee by the Governor.

#### OPSC

The OPSC, as staff to the SAB, implements and administers the SFP and other programs of the SAB. The OPSC is charged with the responsibility of verifying that all applicant school districts meet specific criteria based on the type of funding being requested. The OPSC also prepares recommendations for the SAB's review and approval.

It is also incumbent on the OPSC staff to prepare regulations, policies and procedures which carry out the mandates of the SAB, and to work with school districts to assist them throughout the application process. The OPSC is responsible for ensuring that funds are disbursed properly and in accordance with the decisions made by the SAB.

## PREFACE

### ABOUT THE CSFA

The CSFA was created in 1985 to provide financial assistance, including the sale of bonds, to reconstruct, remodel or replace existing school buildings, acquire new school sites and buildings to be made available to public school districts (K–12) and community colleges, and to assist school districts by providing access to financing for working capital and capital improvements.

The CSFA is comprised of the State Treasurer (the statutory chair), the Superintendent of Public Instruction, and the Director of Finance.

### SUMMARY OF PROGRAM

The CSFP allows charter schools for the first time to access new construction state facility funding directly or through the school district where the charter school is physically located. Prior to the SAB providing any funding for the project, the CSFA must determine whether the charter school is financially sound. In addition, the school district where the charter school is physically located must have demonstrated to the SAB that pupils are “unhoused” and thus the district is eligible for new construction funding. One of the requirements to apply for funding is that the pupils attending the charter school must be classroom based instruction and not independent study, internet-based, or home school.

At the point the initial application is filed with the OPSC and CSFA, the charter school more than likely has not designed the school, acquired a school site, etc. Therefore, the program is set up to provide charter schools with a reservation of funding known as a Preliminary Apportionment, which is an estimation of the funds that will be needed to build the project. This approval allows a charter school time to receive the necessary approvals from other state entities (California Department of Education (CDE), Division of the State Architect (DSA), and Department of Toxic Substance Control (DTSC)) that are required prior to converting the project to a Final Apportionment. The charter school will have four years to design the project, acquire a site, and convert the Preliminary Apportionment to a Final Apportionment. The Final Apportionment provided by the SAB will be based on actual eligible project costs as defined in the SFP regulations. At both the Preliminary Apportionment stage and the Final Apportionment stage CSFA must determine whether the applicant is financially sound.

## PART A: STATE ALLOCATION BOARD AND THE OFFICE OF PUBLIC SCHOOL CONSTRUCTION

### SAB MEMBERS:

- Steve Peace, Director, Department of Finance
- J. Clark Kelso, Interim Director, Department of General Services
- Jack O'Connell, State Superintendent of Public Instruction, Department of Education
- Senator Dede Alpert
- Senator Bob Margett
- Senator Tom Torlakson
- Assembly Member John Dutra
- Assembly Member Marco Antonio Firebaugh
- Assembly Member Tony Strickland
- Mr. David Sickler, Southern Regional Director, State Building and Construction Trades Council of California

### STAFF:

- Luisa M. Park, Executive Officer, Office of Public School Construction/State Allocation Board
- Bruce B. Hancock, Assistant Executive Officer, State Allocation Board
- Karen McGagin, Deputy Executive Officer, Office of Public School Construction



## **PART A: SECTION ONE**

### **IMPLEMENTATION OF THE ARTICLE AND DESCRIPTION OF PROJECTS FUNDED**

#### **SAB AND OPSC PROCESS**

The implementation of Chapter 935, Statutes of 2002, (AB14—Goldberg) for the OPSC began at the beginning of October 2002. A major aspect of the process was the presentation of working papers and proposed regulations to the SAB Implementation Committee. The Implementation Committee is an informal advisory body established by the SAB to assist the Board and the OPSC with policy and legislation implementation (committee membership is comprised of organizations representing the school facilities community). The proposed policy was discussed at three separate public committee meetings and by January 2003 the program requirements and application began to take shape. In addition to the public meetings, the OPSC had several individual meetings with CSFA and charter school advocates to address specific issues. With valuable input from committee members, charter school advocates, and other interested parties, a consensus was reached and a program was established that meets the needs of both the school district and charter school communities.

On January 22, 2003, the SAB adopted the proposed regulations for the program and authorized the Executive Officer to file the regulations with the Office of Administrative Law (OAL) on an emergency basis. Upon OAL approval, the emergency regulations became effective on February 13, 2003, and the application filing period began.

#### **STATEWIDE OUTREACH**

After the successful implementation process, under tight deadlines, the focus quickly changed to spreading the word throughout the charter school community of the availability of Proposition 47 funds. All agencies and applicants were working with an application filing deadline of April 1, 2003.

The OPSC, CSFA, CDE, DSA, and DTSC conducted a series of statewide workshops held in Sacramento, Fresno, Los Angeles, and San Diego, to inform both school districts and charters schools about the new CSFP. Attendees at the workshops received information about the eligibility requirements, application and SAB approval process as well as being introduced to the other state entities involved in school construction. Participation and attendance at all locations was good and the overall message was received well by the attendees. Attendance at the workshops ranged from 25 to 100.

#### **OPSC AND CSFA INTERFACES**

Both agencies worked closely throughout this entire process to ensure that the lines of communication were kept open with the applicants and that the necessary documents from the applicants were received to allow the projects to move forward. The OPSC was responsible for determining if the school district where the charter school is physically located has new construction eligibility and also for determining the preliminary apportionment amount. The CSFA was responsible for determining if the charter school is financially sound. Prior to an application being presented to the SAB for funding, the charter school must be deemed financially sound.

## APPLICATION PROCESS

Although two agencies are involved in the approval process and both have a separate application to request a preliminary apportionment, the OPSC and CSFA agreed that all applications would be submitted to one office to make it a seamless process for the applicants. The OPSC reviewed applications for completeness and eligibility. CSFA received its copy of the CSFP applications directly from OPSC and the OPSC notified CSFA of any applicants that were ineligible. The application filing period for the first round of funding concluded on April 1, 2003. The OPSC and CSFA received applications from 25 applicants. For a complete listing of applicants, please refer to Appendix One.

## DESCRIPTION OF PROJECTS FUNDED

On July 2, 2003, the SAB provided preliminary apportionments to applicants that meet the funding criteria. The total value of applications received in the first round of funding exceeded the available funds. Therefore, to provide preliminary apportionments, the SAB utilized a process that categorized the applications into four different criteria to assure the funds were allocated in different areas of the state, locality (e.g., urban, rural, suburban areas of the state), different size charter schools, and charter schools that serve different grade levels. In addition to categorizing the applications, preference was given to applicants that meet criteria of being overcrowded, low-income, and non-profit as defined in regulation.

The following table provides an overview of the projects that received a preliminary apportionment (reservation of funding). All of the charter schools receiving a preliminary apportionment first were deemed to be financially sound by CSFA. Each selected the lease-payment option to satisfy the 50 percent local share requirement. These applicants will have four years to design the project, acquire a site, receive approvals from the necessary agencies and file a funding application with the OPSC to convert the preliminary apportionment to a final apportionment.

**CHARTER SCHOOL FACILITY PRELIMINARY APPORTIONMENTS  
(JULY 2, 2003 STATE ALLOCATION BOARD MEETING)**

APPLICATION NUMBER	DISTRICT	COUNTY	CHARTER SCHOOL	TOTAL	REGION	URBAN, RURAL, SUBURBAN	LARGE, MEDIUM, SMALL	GRADE LEVEL	ESTIMATED STATE SHARE (INCLUDING LEASE AMOUNT)	TOTAL PROJECT COST
54/68676-00-001	STOCKTON UNIFIED	SAN JOAQUIN	STOCKTON CHARTER	68	1	SUBURBAN	MEDIUM	K-6	\$20,811,386.00	\$20,811,386.00
54/61259-13-001	OAKLAND UNIFIED	ALAMEDA	OAKLAND CHARTER	64	2	URBAN	MEDIUM	9-12	17,367,918.00	17,367,918.00
54/64352-00-001	CENTINELA VALLEY UNION HIGH	LOS ANGELES	ANIMO LEADERSHIP HIGH	96	3	SUBURBAN	LARGE	9-12	10,023,014.00	10,023,014.00
54/66670-00-001	SANTA ANA UNIFIED	ORANGE	ORANGE COUNTY HIGH SCHOOL OF THE ARTS	44	4	URBAN	LARGE	7-8	28,634,364.00	28,634,364.00
54/64733-00-002	LOS ANGELES UNIFIED	LOS ANGELES	MONTAGUE STREET ELEMENTARY	76	3	URBAN	LARGE	K-6	17,568,380.00	17,568,380.00
54/72769-00-001	WHEATLAND UNION HIGH	YUBA	ACADEMY FOR CAREER EDUCATION	40	1	RURAL	SMALL	9-12	2,629,094.00	2,629,094.00
<b>NEW CONSTRUCTION FUNDING TOTALS:</b>									<b>\$97,034,156.00</b>	<b>\$97,034,156.00</b>



## **PART A: SECTION TWO**

### **SCHOOL FACILITY PROGRAM—ALTERNATIVE FUNDING OPTIONS FOR CHARTER SCHOOLS**

#### **FUNDING OPTIONS FOR CHARTER SCHOOLS**

The SAB may provide new construction and modernization grants, as described below, to charter schools; however, the applications would need to be submitted to the OPSC by the school district. Outside of the access provided through the passage of AB 14, charter schools are not able to access SFP new construction and modernization funding directly. It is only through AB 14 that a charter school may apply for new construction directly; no such option has been provided for modernization funding. At the conclusion of this section is a listing of known charter school projects completed under the SFP.

#### **SUMMARY OF SCHOOL FACILITY PROGRAM**

The SFP provides a funding source in the form of grants for school districts to acquire school sites, construct new school facilities, or modernize existing school facilities. The two major funding types available are “new construction” and “modernization”. The new construction grant provides funding on a 50/50 state and local match basis. The modernization grant provides funding on a 60/40 basis. The process for accessing the state assistance for this funding is divided into two steps: an application for eligibility and an application for funding. Applications for eligibility are approved by the SAB and this approval establishes that a school district or county office of education meets the criteria under law to receive assistance for new construction or modernization. Eligibility applications do not result in state funding. In order to receive funding for an eligible project, the district must file a funding application with the OPSC for approval by the SAB.

Applications for eligibility may be filed in advance of an application for funding, or the eligibility and funding requests may be filed concurrently at the preference of the district. In either case, an application for eligibility is the first step toward funding assistance through the SFP. The process must be done only once. Thereafter, the district need only update the eligibility information if additional new construction and modernization funding applications are submitted.

#### **NEW CONSTRUCTION ELIGIBILITY AND FUNDING**

##### **ELIGIBILITY**

The underlying concept behind eligibility for new construction is straightforward. A district must demonstrate that existing seating capacity is insufficient to house the pupils existing and anticipated in the district using a five-year projection of enrollment. Once the new construction eligibility is determined, a “baseline” is created that remains in place as the basis of all future applications. Districts generally establish eligibility for new construction funding on a district-wide basis. However, under certain circumstances, the district may have more eligibility if the applications are made on a High School Attendance Area (HSAA) basis using one or several attendance areas. This circumstance occurs when the building capacity in one HSAA prevents another from receiving maximum eligibility. For example, one attendance area may have surplus classroom capacity while another does not have the needed seats to meet the current and projected student enrollment. If the district

## PART A: SECTION TWO

were to file on a district-wide basis, there might be little or no overall eligibility, even though the students in one attendance are “unhoused” by the definitions established in the SFP. In this case, by filing on a HSAA, the eligibility would increase to allow construction of adequate facilities for the unhoused students.

### FUNDING

After a district has established eligibility for a project, the district may request funding for the design and construction of the facility. In most circumstances, the funding is approved after the district has acquired or identified a site for the project and after the plans for construction are approved by the DSA and the CDE. The funding for new construction projects is provided in the form of grants. The grants are made up of a new construction grant (pupil grant) and a number of supplemental grants. A brief description follows:

**New Construction Grant**—intended to fund design, construction, testing, inspection, furniture and equipment, and other costs closely related to the actual construction of the school buildings. This amount is specified in law based on the grade level of the pupils served.

**Supplemental Grants**—special grants are intended to recognize unique types of projects, geographic locations and special project needs. These grants are based on formulas set forth in the School Facility Program (SFP) Regulations. There are many possible supplemental grants.

## MODERNIZATION ELIGIBILITY AND FUNDING

### ELIGIBILITY

Establishing eligibility for modernization in the SFP is more simplified than new construction. Applications are submitted on a site-by-site basis, rather than district-wide or HSAA, as is the case for new construction. To be eligible, a permanent building must be at least 25 years old and a relocatable building must be at least 20 years old. In either case, the facility must not have been previously modernized with state funding. The district must also show that there are pupils assigned to the site who will use the facilities to be modernized.

### FUNDING

After a district has established eligibility for a project, the district may request funding for renovation of the facility. The funding for modernization projects is provided in the form of grants. The grant amount is increased and funding for specific utility upgrades is allowed if permanent buildings to be modernized are 50 years old or over. The modernization grant (pupil grant) amount is set in law and is based on the number of students housed in the over-age facilities. In addition to the basic grant amount, a district may be eligible for supplemental grants depending on the type and location of the project. The modernization grant can be used to fund a large variety of work at an eligible school site. Air conditioning, insulation, roof replacement, as well as the purchase of new furniture and equipment are just a few of the eligible expenditures of modernization grants. A district may even use the grants to demolish and replace existing facilities of like kind.

**CHARTER SCHOOL PROJECTS FUNDED THROUGH THE SFP  
(PRIOR TO AB 14)**

DISTRICT	SITE	TYPE OF PROJECT	GRADE LEVEL	STATE SHARE	TOTAL PROJECT COST
CHULA VISTA ELEM	CHULA VISTA LEARNING COMMUNITY CHARTER	NEW CONSTRUCTION	K-6	\$ 6,482,072.00	\$12,964,144.00
VISTA UNIFIED	GUAJOME PARK ACADEMY CHARTER (DESIGN)	NEW CONSTRUCTION	K-12	1,613,180.00	1,613,180.00
LOS ANGELES UNIFIED	ACCELERATED CHARTER	NEW CONSTRUCTION	K-12	1,167,089.00	2,334,178.00
NATOMAS UNIFIED	NATOMAS CHARTER	NEW CONSTRUCTION	7-8	268,488.00	536,976.00
NATOMAS UNIFIED	NATOMAS CHARTER	NEW CONSTRUCTION	9-12	7,860,691.00	15,721,382.00
<b>TOTAL PROJECT COST FOR NEW CONSTRUCTION</b>					<b>\$33,169,860.00</b>

DISTRICT	SITE	TYPE OF PROJECT	GRADE LEVEL	STATE SHARE	TOTAL PROJECT COST
REDDING ELEM	CEDAR MEADOWS/STELLAR CHARTER	MODERNIZATION	K-6	909,542.00	1,136,928.00
LOS ANGELES UNIFIED	PALISADES CHARTER HIGH	MODERNIZATION	9-12	3,766,811.00	4,708,514.00
RAVENSWOOD CITY ELEM	EAST PALO ALTO CHARTER	MODERNIZATION	K-6	251,493.00	314,366.00
RAVENSWOOD CITY ELEM	EAST PALO ALTO CHARTER	MODERNIZATION	K-6	530,373.00	662,966.00
<b>TOTAL PROJECT COST FOR MODERNIZATION</b>					<b>\$ 6,822,774.00</b>



## **PART A: SECTION THREE**

### **RECOMMENDATIONS FOR STATUTORY CHANGES**

#### **ISSUE ONE: CRITERIA FOR FUNDING**

EC Section 17078.56(a)(1–4) states that the SAB shall make preliminary apportionments only to financially sound applicants while ensuring that there is a fair representation of the various geographic regions of the state, of urban, rural, suburban regions of the state, of large, medium and small charter schools throughout the state, and of the various grade levels of pupils served by charter school applicants throughout the state. Within each of the above criteria, we were to give preference to charter schools in overcrowded school districts, charter schools in low-income areas, and charter schools operated by not-for-profit entities.

The OPSC used the above criteria to develop preference points for each application and to place each of these applications in one of the above categories. For example, once preference points were calculated for each, the applications were looked at to ensure that the various regions of the state were covered before we moved on to funding applications in the next category of urban, rural or suburban and so on. The recommendations presented to the Board for preliminary apportionments from the categories were based on the order the categories appeared in law.

#### **RECOMMENDATION**

If the Legislature envisioned another method for ranking and providing preliminary apportionments, other than set out by the OPSC, clarifying language should be added to the EC.

#### **ISSUE TWO: ENROLLMENT UPDATES**

Currently school districts are required to update their enrollment prior to the submittal of their next new construction funding application through the regular SFP. The reason for the requirement is because the enrollment has a direct effect on the available new construction eligibility. Each charter school application for preliminary apportionment is considered a funding application and for those districts that have applied on behalf of charter schools, the school districts have updated their enrollment because they have this information available. However, for those charter schools applying on their own behalf there was difficulty acquiring their updated enrollment numbers from the school districts, partly because the information is not readily available to them, nor are the charter schools permitted to submit updated enrollment numbers on behalf of the school district.

#### **RECOMMENDATION**

Require school districts to submit updated enrollment to OPSC within 30 days of OPSC notifying them a charter school application has been accepted for processing by the OPSC regardless of the entity that filed the application.

## **CONCLUSION**

Through the course of this program, the OPSC will be recommending proposed changes in regulation. The OPSC will be working through the Implementation Committee in the near future to work through these issues.

PART A: SECTION THREE

## PART B: CALIFORNIA SCHOOL FINANCE AUTHORITY

### CSFA MEMBERS:

- Phil Angelides, State Treasurer
- Steve Peace, Director, Department of Finance
- Jack O'Connell, State Superintendent of Public Instruction, Department of Education

### STAFF:

- Lara Larramendi Blakely, Executive Director, California School Finance Authority



## **PART B: SECTION ONE**

### **IMPLEMENTATION OF THE ARTICLE AND DESCRIPTION OF THE APPLICANTS DETERMINED FINANCIALLY SOUND**

#### **CSFA PROCESS**

As required by EC Section 17078.57, CSFA staff prepared draft emergency regulations, which were approved for distribution for public comment by CSFA on December 10, 2002. Public comment was accepted through the first week of January 2003 and included discussion of the draft emergency regulations at two separate SAB Implementation Committee meetings. Following the public comment period, CSFA's emergency regulations were approved by CSFA on January 22, 2003, and submitted to OAL on February 3, 2003. OAL approved the emergency regulations on February 13, 2003.

The Notice of Proposed Rulemaking for CSFA's regulations to become permanent was filed with OAL on February 18, 2003. Following the required public comment period, the regulations were approved by CSFA at its meeting held on June 11, 2003, and, thereafter, submitted to OAL for its review.

CSFA's regulations can be found in Title 4, Division 15, Article 1, commencing with Section 10151.

#### **OPSC AND CSFA INTERFACES**

Both agencies worked closely throughout this entire process to ensure that the lines of communication were kept open with the applicants and that the necessary documents from the applicants were received to allow the projects to move forward. The OPSC was responsible for determining if the school district where the charter school is physically located has new construction eligibility and also for determining the preliminary apportionment amount. The CSFA was responsible for determining if the charter school is financially sound. Prior to an application being presented to the SAB for funding, the charter school must be deemed financially sound.

#### **APPLICATION PROCESS**

Although two agencies are involved in the approval process and both have a separate application to request a preliminary apportionment, the OPSC and CSFA agreed that all applications would be submitted to one office to make it a seamless process for the applicants. The OPSC reviewed applications for completeness and eligibility. CSFA received its copy of the CSFP applications directly from OPSC and the OPSC notified CSFA of any applicants that were ineligible. The application filing period for the first round of funding concluded on April 1, 2003. The OPSC and CSFA received applications from 25 applicants. For a complete listing of applicants, please refer to Appendix One.

#### **FINANCIALLY SOUND DETERMINATIONS**

CSFA's CSFP regulations included a threshold requirement that the charter school and/or the relevant organization have experience of at least two academic years of instructional operations of a charter school in order to be considered financially sound. This requirement is designed to ensure that an applicant's 24 months of operating as a financially capable concern includes the actual operation of a charter school.

CSFA was notified by OPSC of the apportionment eligibility amounts for which each applicant was eligible for its project, as these amounts could (and frequently did) differ from the amounts estimated by the

applicants. As per CSFP regulation Section 10156, CSFA relied on OPSC's determinations regarding eligibility of applicants and performed its financially sound determinations accordingly. In addition, CSFP regulations directed CSFA to consider certain factors in making its determination of whether a school is financially sound.

Pursuant to statute and CSFA's CSFP regulations, CSFA Staff evaluated the information received from applicants in as comprehensive and uniform a manner as possible. CSFA developed a set of "financial indicators" and "operational indicators," as summarized below, that were utilized to evaluate the factors specified in statute and regulations.

CSFA staff also reviewed additional information obtained from applicants, including the charter's mission statement, curriculum, project descriptions, business plans, staffing plans, material contracts and other matters relevant to the CSFP program.

## FINANCIAL INDICATORS

Below are brief descriptions of the key categories of financial indicators examined by CSFA staff.

**Debt Service Coverage**—This category of indicator reviews the ability of an applicant to make debt and/or lease payments from available resources, net of (after) operating expenses. CSFA's regulations require that an applicant achieve a debt service coverage ratio of at least 1.00 in order to be determined to be financially sound. CSFA calculated debt service coverage using more than one measure, requiring applicants to meet at least one such measure.

In addition, sensitivity analyses were performed on the debt service coverage measures to evaluate the impact of enrollment declines on an applicant's ability to maintain the minimum debt service coverage ratio. Applicants that could endure enrollment declines of 10 percent or more, without reducing the debt service coverage ratios below 1.00, were viewed favorably in these sensitivity analyses.

In addition to encompassing a minimum requirement, the debt service coverage category of financial indicator was given the greatest weight among all financial indicators in developing CSFA staff's recommendation. Debt service coverage is the factor most directly related to the state's interest in being repaid the portion of the CSFP funding that constitutes a lease in lieu of a local matching contribution.

**Fund Balance/Liquidity**—This category of indicator reviews the sufficiency of available resources, as compared to overall operational expenditures and as compared to the projected CSFP lease payments. These measures look at actual results through fiscal year 2001–02. The measures in this category tell whether the applicant has been successful in maintaining prudent "cushion" in its fund balance. Although charter schools are not required by state law to follow the same state requirements for minimum fund balance as other public schools, applicants that maintained fund balances of at least three percent for one or both of the two measures evaluated were viewed favorably.

CSFA also reviewed the past available "liquid assets" of the applicant at each fiscal year-end to determine if these assets would have been sufficient to make payments on its current liabilities plus projected CSFP lease payments. Again, applicants with historical liquidity that would have been sufficient to absorb projected future CSFP lease payments were viewed favorably.

**Financial Performance**—This category of indicator reviews the applicant's ability to maintain operational expenses within operational revenues. Any over-reliance on specific revenue sources was also noted. Applicants that had historical and projected operating margins of at least three percent were viewed favorably. Applicants with Revenue Limit sources at 55 percent or less of their revenues also were viewed favorably.

**Financial Management**—This category of indicator reviews management's ability to contain expenses consistent with changes in enrollment and to generate financial results and related reports that are free of material concerns. Applicants that did not have increases in current expenses per student of greater than five percent per year, on average, over the period evaluated (typically five to seven years, including historical and projected) were viewed favorably. Applicants with no reportable conditions or material weaknesses in their audited financial statements also were viewed favorably.

In evaluating financial management, CSFA staff also reviewed stability of financial operations to date, as well as reasonableness of management's projected financial performance. Applicant's reliance on and the potential impact of material contracts, where applicable, also were evaluated.

## OPERATIONAL INDICATORS

The operational indicators reviewed by CSFA are those that could have a direct impact on financial performance. They are:

**Student Performance**—Student performance was reviewed because of its implications for student enrollment stability and growth, which are key to financial projections. Student performance also has implications for the charter school's ability to maintain its charter. Applicants with improving student performance trends, especially if those trends exceed threshold goals set by the school or the state, where applicable, were viewed favorably.

**Enrollment Trends**—Enrollment trends, including waiting list information, were reviewed because of their implications for financial performance, especially for a school projecting to expand. Applicants with improving enrollment trends, especially if waiting lists and past growth levels demonstrate the ability to meet projected expanded enrollment associated with the CSFP project were viewed favorably.

**Charter Compliance and Status**—Charter compliance and status were reviewed because of the need for the school's continued operation in order to achieve projected financial performance.

CSFA Staff surveyed the chartering entity to inform it of CSFP requirement to consider the following factors, among others: (1) whether the charter school has complied with the terms of its charter agreement; and (2) whether the charter school is in good standing with its chartering authority. Staff sought verification from the chartering entity regarding its satisfaction with the applicant's performance regarding these factors. The chartering entity also was asked to state any material issues or concerns of which we should be aware.

Applicants were viewed favorably that had evidence of compliance and no material concerns or issues on the part of the chartering entity. Applicants that have recently accomplished a renewal of the charter were viewed particularly favorably.

**Management Team**—The management team was reviewed because of its importance to successful operations and financial performance. If the applicant employs an educational management organization, we also reviewed management of this organization. Applicants reporting a stable, qualified management team were viewed favorably. Also favorably viewed were those Applicants reporting plans for additional management resources if planned expansion warrants. In addition, applicants that prepared a well-documented CSFP application and effectively responded to staff inquiries during the course of the review process were viewed favorably.

## CO-BORROWER OR GUARANTOR

In some cases, the applicant has secured a pledge from the chartering entity/sponsor, a related organization, or a third-party to provide financial support toward its lease payment obligations. For example, where a charter school is run by a school district, and the financial resources of the school district as a whole are pledged and available to buttress the financial performance of the school, the applicant may be determined to be financially sound even if the charter school's financial performance alone would not have resulted in a favorable recommendation.

In cases where the financial support comes from a non-district related organization of the charter school or a third-party entity, the financial strength of the related organization or third-party, and the nature of and conditions to the pledge, all must play a role in evaluating whether the additional financial support will be sufficient to mitigate any obstacles the charter school faces to be determined to be financially sound based on its own performance.

In the case of a non-district, related organization or third-party upon which an applicant must rely to be determined financially sound, CSFA staff recommended and the SAB approved undertaking additional due diligence beyond that which reasonably could be accomplished during this preliminary phase. CSFA directed that this process should commence immediately following the CSFA and SAB actions related to the preliminary apportionment, rather than being deferred until the applicant's request for a final apportionment, at which time CSFA would have to make its final financially sound determination.

In each such case, the financial information provided by the proposed guarantor gave CSFA staff a reasonable basis for determining on a preliminary basis whether the proposed guarantor has or will have the financial resources to make lease payments if the applicant does not. However, no legal documents were presented (or even exist) at this preliminary stage, so there is little for CSFA to review to assure the state as to the terms and enforceability of a guarantor's obligations.

It is in the interests of the applicant, the guarantor, and the state to quickly identify any obstacles (financial, legal, or other) that would prevent the guarantor from being able to meet the conditions required. This condition for additional due diligence was incorporated by reference as part of the action taken on each relevant applicant's financially sound determination.

## MATERIAL RISKS

CSFA identified many areas of significant concern for those applicants that it determined to be financially sound. In addition, see “Conditions for Financially Sound Determinations” below.

## CONDITIONS FOR FINANCIALLY SOUND DETERMINATIONS

It is important to note that all CSFA's determinations were made in reliance on the information currently available, including reliance on projected results that are subject to uncertainty. Thus, the financially sound determinations inherently are conditioned upon applicants being able to achieve results substantially the same as those projected.

Per its actions on June 13, 2003, CSFA retains the authority to withdraw its financially sound determination for any applicant prior to the point at which a final apportionment would be made if intervening circumstances so warrant. Obviously, such action would require approval of the CSFA Board and the opportunity for the affected applicant to present its position prior to any such action.

CSFA also has required, as a condition of its determinations, that all financially sound applicants receiving a preliminary apportionment from SAB provide regular updates to CSFA on key aspects of their financial condition and operating results, as well as changes to future projections.

It is vital that CSFA, on behalf of the state, be in a position to monitor changes to these results as they occur, not only at some unknown point in the future when an applicant is ready to seek a final apportionment. If an applicant's condition worsens dramatically over a relatively short time, it will increase the risk that it would not be determined financially sound at the final apportionment. For a program such as the CSFP, where demand far outstrips available funding, there is a public interest in promptly identifying these circumstances to ensure available funds are put to good use.

The CSFA Board authorized staff to require receipt of relevant updated information, including, but not limited to, semi-annual un-audited financial statements, all audited financial statements upon completion (not later than December 1 of each year), all adopted budgets, and all interim budget reports applicants file with the relevant school district/chartering entity. The CSFA Board also required receipt of notice of any material change to enrollment, student performance, charter status, or financial condition, within 45 days of such material change.

These conditions and requirements are incorporated by reference as part of the action taken on each applicant's financially sound determination.

PART B: SECTION ONE

**PART B: SECTION TWO**

**RECOMMENDATIONS FOR STATUTORY CHANGES**

**ISSUE ONE: ROLES AND RESPONSIBILITIES OF THE SAB/OPSC AND CSFA**

To implement the CSFP program, a working partnership was forged between SAB/OPSC and CSFA. Each entity has its own roles and responsibilities in the program, and thus adopted separate, but complementary regulations and applications. Each entity brought its specific skills and expertise to this working partnership. OPSC contributed its expertise in public school construction. CSFA contributed its expertise in financial analysis and use of public financing for capital improvements. OPSC verifies that all applicants for the CSFP are eligible and meet specific program criteria and regulations. CSFA reviews each applicant’s organizational, operational and financial history and projections and determines, based on adopted criteria, whether the applicant is financially sound for the purposes of the CSFP. CSFA notifies OPSC of its financially sound determinations. OPSC makes recommendations of applicants to SAB for preliminary apportionment and, ultimately, final apportionment, as well.

Through this initial stage of preliminary apportionment under the CSFP, SAB/OPSC and CSFA have demonstrated a good working partnership for effective implementation of the CSFP. The foundation established during this stage bodes well for continuing this partnership approach in the future, both for the final apportionment stage and related activities in connection with the initial \$100 million CSFP allocation and for the proposed additional \$300 million CSFP allocation contemplated for the 2004 Education Bond.

**RECOMMENDATION**

SAB/OPSC and CSFA should continue the working partnership for implementation of the CSFP while continuing to pursue strategies to streamline and improve the process for the CSFP.

**ISSUE TWO: PRIOR MANAGEMENT TEAM EXPERIENCE AND FINANCIAL PERFORMANCE**

Section 17078.52(c)(4) of the EC currently reads, in relevant part:

- (4) “Financially sound” means a charter school that has demonstrated, over a period of time determined by the authority, but not less than 24 months immediately preceding the submission of the application, that it is a financially capable concern, as measured by criteria established by the authority.

In addition, Section 10154(a) of the CSFA Regulations currently reads, in relevant part:

- (a) A financially sound charter school shall have been a financially capable concern for at least 24 months prior to submission of the application. In addition, a financially sound charter school shall have at least two academic years of instructional operations of a charter school prior to submission of the application. Where the application is for construction of a new school, the organization that is applying on behalf of the new school shall demonstrate that it has operated or managed another charter school or charter schools for at least two academic years of instructional operations of a charter school prior to submission of the application.

PART B: SECTION TWO

Staff has received recommendations related to the definition of a “financially sound” charter school to expand the definition to allow the management of a new charter school (not yet meeting the 24 month and/or two academic year standards above) to rely on its past experience at another organization operating a charter school in order to meet these requirements. This would be in addition to the existing provision in CSFA regulations allowing an organization applying on behalf of a new charter school to meet the requirement for two academic years of instructional operations based on another charter school or schools it operated. The change would not diminish the need for consideration of all factors necessary to determine whether or not the applicant is financially sound.

**RECOMMENDATION**

In the interests of making the CSFP program broadly available to an evolving charter school universe, the above-referenced change has merit. It does present some challenges in terms of implementation. Even those suggesting this change acknowledge the need for such applications to undergo especially stringent review, including convincing documentation of the new charter school’s educational plan, financial resources, facilities expertise, management’s expertise and its applicability to the new charter school, and other factors necessary for the applicant to be found financially sound. CSFA would need to address in future regulations how the informational requirements for such applications might differ in order to verify the management’s track record and to consider its applicability to the financially sound determination at hand.

**ISSUE THREE: TECHNICAL AMENDMENTS TO FACILITATE CHARTER SCHOOL FINANCINGS**

We have received comments that existing state law presents obstacles to charter schools’ ability to finance facilities through other means, beyond existing state programs, including the CSFP. Since it is clear that not all the facility needs of charter schools can be met through existing state programs, including the CSFP, charter school proponents are reasonable in seeking to facilitate other forms of facility financing.

**RECOMMENDATION**

We recommend that the state solicit feedback from charter school proponents, financial industry participants, and others as to those aspects of existing law that seem to inhibit the ability of charter schools to make full use of other forms of facility financing. Where amendments to facilitate these other forms of financing would not undermine the state’s interests, such amendments can be made.

**ISSUE FOUR: CHARTER SCHOOL ELIGIBILITY UNDER THE CSFP**

Existing law and CSFP program regulations left room for confusion on the part of the applicants as to the minimum eligibility for participation in the CSFP related to the status of an applicant's charter. Two applications were determined not to be eligible because the applicant did not have an existing charter in either the school district or the county in which the proposed new charter school was to be located.

**RECOMMENDATION**

In the future, potential CSFP applicants should be made aware of the above-referenced minimum requirement. If the Legislature wishes either to reinforce this requirement or to change it in any way, amendments to do so would be warranted.

**ISSUE FIVE: RELEASE OF FUNDS**

EC Section 17078.57(a)(5) requires that CSFA's regulations address the process for release of funds for approved projects. This requirement should be shifted to the SAB as the SAB makes the apportionment decisions and controls the Charter School Facility Fund.

**RECOMMENDATION**

Amend the EC to reflect that the release of funds shall be the responsibility of the SAB.

**MISCELLANEOUS COMMENTS**

The OPSC recently forwarded to CSFA staff a number of comments received by OPSC from members of the public that may relate to CSFA's CSFP regulations. None of these comments were provided by the public to CSFA during its public comment period on its proposed permanent regulations, which were approved following such public comment period, on June 11, 2003.

Included among these recent comments were suggestions regarding a definition of "educational management organization", clarification as to the parties responsible for submitting certain information as part of an applicant's response under the CSFA application form, and the potential benefit to applicants of having a self-assessment tool consistent with CSFA's methods for determining whether an applicant is financially sound.

The Department of Finance has advised the CSFA that current state law does not require audits of charter schools to be performed according to Governmental Auditing Standards. Instead, current law only requires that the charter petition specify the manner in which annual, independent, financial audits will be conducted.

**RECOMMENDATION**

CSFA should solicit additional public comment on these items and any others as part of its future regulatory proceedings for the CSFP.

# APPENDIX ONE

## LISTING OF APPLICANTS

FILING STATUS	DISTRICT	COUNTY	CHARTER SCHOOL	TOTAL PROJECT COST	GRADE LEVEL	OUTCOME OF APPLICATION
CHARTER	ANTIOCH UNIFIED	CONTRA COSTA	LEARNER-CENTERED CHARTER	\$ 3,202,758.00	K-6	NOT FINANCIALLY SOUND
CHARTER	CENTINELA VALLEY UNION HIGH	LOS ANGELES	ANIMO LEADERSHIP HIGH	10,023,014.00	9-12	PRELIMINARY APPORTIONMENT
CHARTER	COLTON JOINT UNIFIED	SAN BERNARDINO	LAS BANDERAS ACADEMY CHARTER	15,405,596.00	9-12	RETURNED UNFUNDED
DISTRICT	ELK GROVE UNIFIED	SACRAMENTO	ELK GROVE CHARTER	3,782,084.00	9-12	RETURNED UNFUNDED
CHARTER	INGLEWOOD UNIFIED	LOS ANGELES	ANIMO INGLEWOOD CHARTER HIGH	10,070,350.00	9-12	RETURNED UNFUNDED
DISTRICT	JAMUL-DULZURA UNION ELEMENTARY	SAN DIEGO	GREATER SAN DIEGO ACADEMY	3,530,498.00	K-6	NOT ELIGIBLE
DISTRICT	KIT CARSON UNION	KINGS	MID-VALLEY ALTERNATIVE CHARTER SCHOOL	2,380,498.00	K-6	NOT ELIGIBLE
DISTRICT	LEMOORE UNION ELEMENTARY	KINGS	LEMOORE ELEMENTARY UNIVERSITY	4,630,726.00	K-6	NOT FINANCIALLY SOUND
CHARTER	LODI UNIFIED	SAN JOAQUIN	LODI CHARTER	7,699,420.00	K-6	RETURNED UNFUNDED
CHARTER	LOS ANGELES UNIFIED	LOS ANGELES	VAUGHN HIGH SCHOOL TEACHING ACADEMY	24,850,858.00	9-12	RETURNED UNFUNDED
DISTRICT	LOS ANGELES UNIFIED	LOS ANGELES	MONTAGUE STREET ELEMENTARY	17,568,380.00	K-6	PRELIMINARY APPORTIONMENT
DISTRICT	LOS ANGELES UNIFIED	LOS ANGELES	WATTS LEARNING CENTER	16,131,058.00	K-6	RETURNED UNFUNDED
DISTRICT	LOS ANGELES UNIFIED	LOS ANGELES	CAMINO NUEVO CHARTER ACADEMY	25,401,652.00	K-6	RETURNED UNFUNDED
DISTRICT	LOS ANGELES UNIFIED	LOS ANGELES	VIEW PARK PREP MIDDLE AND HIGH CHARTER SCHOOL	50,605,198.00	9-12	NOT FINANCIALLY SOUND
DISTRICT	LOS ANGELES UNIFIED	LOS ANGELES	ACCELERATED CHARTER ELEMENTARY SCHOOL	18,378,976.00	K-6	RETURNED UNFUNDED
CHARTER	LOS ANGELES UNIFIED	LOS ANGELES	LOS ANGELES CHARTER	55,961,544.00	K-6	NOT ELIGIBLE
CHARTER	MARIN COUNTY OFFICE OF EDUCATION	MARIN	PHOENIX ACADEMY	4,056,124.00	9-12	RETURNED UNFUNDED
DISTRICT	NATOMAS UNIFIED	SACRAMENTO	NATOMAS CHARTER NO. 19	5,192,164.00	9-12	RETURNED UNFUNDED

CONTINUED ON NEXT PAGE

APPENDIX ONE

FILING STATUS	DISTRICT	COUNTY	CHARTER SCHOOL	TOTAL PROJECT COST	GRADE LEVEL	OUTCOME OF APPLICATION
CHARTER	NORTH MONTEREY COUNTY UNIFIED	MONTEREY	LIBERTY FAMILY ACADEMY	\$ 5,341,264.00	7-8	NOT FINANCIALLY SOUND
CHARTER	OAKLAND UNIFIED	ALAMEDA	OAKLAND CHARTER	17,367,918.00	K-6	PRELIMINARY APPORTIONMENT
CHARTER	SANTA ANA UNIFIED	ORANGE	ORANGE COUNTY HIGH SCHOOL OF THE ARTS	28,634,364.00	7-8	PRELIMINARY APPORTIONMENT
CHARTER	SEQUOIA UNION HIGH	SAN MATEO	SEQUOIA CHARTER	67,127,824.00	9-12	RETURNED UNFUNDED
CHARTER	STOCKTON UNIFIED	SAN JOAQUIN	STOCKTON CHARTER	20,811,386.00	K-6	PRELIMINARY APPORTIONMENT
CHARTER	WASHINGTON UNIFIED	YOLO	WEST SACRAMENTO CHARTER	16,741,008.00	K-6	NOT ELIGIBLE
DISTRICT	WHEATLAND UNION HIGH	YUBA	ACADEMY FOR CAREER EDUCATION	2,629,094.00	9-12	PRELIMINARY APPORTIONMENT
<b>TOTAL:</b>				<b>\$437,523,756.00</b>		

## APPENDIX TWO

### SUMMARY: CSFA'S PRELIMINARY FINANCIALLY SOUND DETERMINATIONS

APPLICANT	DISTRICT	COUNTY	PROJECT COST	ESTIMATED ANNUAL LEASE PAYMENT	FINANCIALLY SOUND RECOMMENDATION	STAFF COMMENTS
ACADEMY FOR CAREER EDUCATION	WHEATLAND UNION HIGH	YUBA	\$ 2,629,094	\$ 67,067	YES	CHARTERING ENTITY IS SPONSOR AND OBLIGOR. SCHOOL'S DEBT SERVICE COVERAGE APPEARS SUFFICIENT, BUT WITH LITTLE MARGIN WITHOUT DISTRICT SUPPORT.
ELK GROVE CHARTER	ELK GROVE UNIFIED	SACRAMENTO	3,782,084	96,480	YES	CHARTERING ENTITY IS SPONSOR AND OBLIGOR. DISTRICT-WIDE REVENUES MEET DEBT SERVICE COVERAGE WITH SIGNIFICANT MARGIN. HIGH FUND BALANCE GIVES FURTHER SUPPORT.
NATOMAS CHARTER NO. 19	NATOMAS UNIFIED	SACRAMENTO	5,192,164	174,497	YES	CHARTERING ENTITY IS SPONSOR AND OBLIGOR. SCHOOL MEETS DEBT SERVICE COVERAGE WITH SIGNIFICANT MARGIN.
PHOENIX ACADEMY	MARIN COUNTY OFFICE OF EDUCATION	MARIN	4,056,124	103,470	YES	CHARTERING ENTITY IS SPONSOR AND OBLIGOR. MARGINAL DEBT SERVICE COVERAGE MITIGATED IN NEAR TERM BY STRONG FUND BALANCE.
ACCELERATED CHARTER ELEMENTARY	LOS ANGELES UNIFIED	LOS ANGELES	18,378,976	468,841	YES	DEBT SERVICE COVERAGE REINFORCED BY FUND BALANCE; SIGNIFICANT CAPITAL EXPENDITURES REDUCE PROJECTED BALANCE IN LATER YEARS.
ANIMO INGLEWOOD CHARTER HIGH	INGLEWOOD UNIFIED	LOS ANGELES	10,070,350	256,891	YES	MEETS DEBT SERVICE COVERAGE PRIOR TO CONSIDERATION OF PROPOSED GUARANTOR (GREEN DOT).
ANIMO LEADERSHIP HIGH	CENTINELA VALLEY UNION	LOS ANGELES	10,023,014	255,683	YES	MEETS DEBT SERVICE COVERAGE PRIOR TO CONSIDERATION OF PROPOSED GUARANTOR (GREEN DOT).
ASPIRE—LODI CHARTER	LODI UNIFIED	SAN JOAQUIN	7,699,420	196,409	YES	FINANCIALLY SOUND BASED ON HISTORICAL AND PROJECTED PERFORMANCE OF ASPIRE PUBLIC SCHOOLS. DEBT SERVICE COVERAGE REQUIRES SOME RELIANCE ON FUND BALANCE IN 2004-05.
ASPIRE—LOS ANGELES CHARTER	LOS ANGELES UNIFIED	LOS ANGELES	55,961,544	1,427,558	N/A	ON JUNE 9, 2003, APPLICATION DETERMINED NOT TO BE ELIGIBLE.
ASPIRE—OAKLAND CHARTER	OAKLAND UNIFIED	ALAMEDA	17,367,918	443,049	YES	SEE NOTES FOR LODI, ABOVE

CONTINUED ON NEXT PAGE

APPENDIX TWO

APPLICANT	DISTRICT	COUNTY	PROJECT COST	ESTIMATED ANNUAL LEASE PAYMENT	FINANCIALLY SOUND RECOMMENDATION	STAFF COMMENTS
ASPIRE—SEQUOIA CHARTER	SEQUOIA UNION	SAN MATEO	\$ 67,127,824	\$1,712,406	YES	SEE NOTES FOR LODI, ABOVE
ASPIRE—STOCKTON CHARTER	STOCKTON UNIFIED	SAN JOAQUIN	20,811,386	530,891	YES	SEE NOTES FOR LODI, ABOVE
ASPIRE – WEST SAC. CHARTER	WASHINGTON UNIFIED	YOLO	16,741,008	427,057	N/A	ON JUNE 9, 2003, APPLICATION DETERMINED NOT TO BE ELIGIBLE.
CAMINO NUEVO CHARTER ACADEMY	LOS ANGELES UNIFIED	LOS ANGELES	25,401,652	647,987	YES	RISK OF FUTURE CONTRIBUTIONS SHORTFALLS THREATENS NEAR-TERM DEBT SERVICE COVERAGE; MITIGATED IN SIGNIFICANT PART BY REPAYMENT OF EXISTING LONG-TERM LIABILITIES IN 2005-06.
MONTAGUE ELEMENTARY	LOS ANGELES UNIFIED	LOS ANGELES	17,568,380	448,163	YES	THIN PROJECTED OPERATING MARGINS REDUCE DEBT SERVICE COVERAGE FROM OPERATIONS; HIGH FUND BALANCE MITIGATES RISKS.
VAUGHN NEXT CENTURY LEARNING CENTER	LOS ANGELES UNIFIED	LOS ANGELES	24,850,858	174,763	YES	APPLICANT IS MAKING SIGNIFICANT CONTRIBUTION TO THE PROJECT. AS A RESULT, DEBT SERVICE COVERAGE CAN WITHSTAND ENROLLMENT AT 18 PERCENT BELOW PROJECTIONS.
WATTS LEARNING CENTER	LOS ANGELES UNIFIED	LOS ANGELES	16,131,058	411,497	YES	APPLICANT HAS STRONG DEBT SERVICE COVERAGE, ABILITY TO WITHSTAND LOWER-THAN-PROJECTED ENROLLMENT, AND A GROWING FUND BALANCE.
LAS BANDERAS ACADEMY	COLTON UNIFIED	SAN BERNARDINO	15,405,595	392,991	YES	APPLICANT PROVIDED PROOF OF ADDITIONAL GRANT REVENUES AND EXPENSE CONTROLS NOT PREVIOUSLY AVAILABLE TO CSFA. DEBT SERVICE COVERAGE NOW EXCEEDS MINIMUM REQUIREMENTS.
ORANGE COUNTY HS OF THE ARTS	SANTA ANA UNIFIED	ORANGE	28,634,364	730,452	YES (SEE COMMENTS)	ONLY FINANCIALLY SOUND WITH GUARANTOR; SUBJECT TO DUE DILIGENCE.
VIEW PARK PREP MIDDLE & H.S.	LOS ANGELES UNIFIED	LOS ANGELES	50,605,198	1,290,920	NO	APPLICANT IS NOT FINANCIALLY SOUND; GUARANTOR LACKS SUFFICIENT FINANCIAL STRENGTH.
LIBERTY FAMILY ACADEMY	NORTH MONTEREY COUNTY OFFICE OF EDUCATION	MONTEREY	5,341,264	136,254	NO	THIN PROJECTED OPERATING MARGINS REQUIRE SUPPORT FROM FUND BALANCE TO MEET NEAR-TERM DEBT SERVICE. SUBSTANTIAL RISKS OF CHARTER REVOCATION EXIST.
LEARNER-CENTERED CHARTER	ANTIOCH UNIFIED	CONTRA COSTA	3,202,758	75,069	NO	FAILED TO MEET REQUIRED DEBT SERVICE COVERAGE RATIOS.

PROJECT COST TOTAL: \$426,982,033

## APPENDIX THREE

### ADDITIONAL PROJECT STATISTICS

The purpose of this chart is show the enrollment of the school at the time of completion.

APPLICANT	DISTRICT	COUNTY	PROJECT COST (A)	ESTIMATED ANNUAL LEASE PAYMENT (B)	CURRENT ENROLLMENT (C)	PROJECTED ENROLLMENT AT COMPLETION (C)
STOCKTON CHARTER (ASPIRE)	STOCKTON UNIFIED	SAN JOAQUIN	\$ 20,811,386	\$ 530,891	0	352
OAKLAND CHARTER (ASPIRE)	OAKLAND UNIFIED	ALAMEDA	17,367,918	443,098	0	576
ANIMO LEADERSHIP HIGH	CENTINELA VALLEY UNION	LOS ANGELES	10,023,014	255,683	407	525
ORANGE COUNTY HIGH SCHOOL OF THE ARTS	SANTA ANA UNIFIED	ORANGE	28,634,364	730,452	1,156	1,850
MONTAGUE ELEMENTARY	LOS ANGELES UNIFIED	LOS ANGELES	17,568,380	448,163	1,130	1,220
ACADEMY FOR CAREER EDUCATION	WHEATLAND UNION HIGH	YUBA	2,629,094	67,067	56	65
<b>TOTALS:</b>			<b>\$ 97,034,156</b>	<b>\$ 2,475,354</b>	<b>2,749</b>	<b>4,588</b>

(A) OPSC'S TOTAL PROJECT COST.

(B) ESTIMATED BY CSFA BASED UPON THREE PERCENT INTEREST RATE, 30-YEAR FINAL MATURITY.

(C) PROVIDED BY APPLICANTS.

APPENDIX THREE

## APPENDIX FOUR

### SUMMARY DESCRIPTIONS FOR APPLICANTS RECEIVING A PRELIMINARY APPORTIONMENT UNDER THE CHARTER SCHOOL FACILITIES PROGRAM (CSFP)\*

#### CALIFORNIA SCHOOL FINANCE AUTHORITY CHARTER SCHOOL FACILITIES PROGRAM

##### ASPIRE PUBLIC SCHOOLS—STOCKTON

APPLICANT:	ASPIRE PUBLIC SCHOOLS
OPSC TRACKING NUMBER:	54/68676-00-001
SCHOOL DISTRICT:	STOCKTON UNIFIED SCHOOL DISTRICT
TOTAL PROJECT COST:	\$20,811,386
GRANT AMOUNT:	\$10,405,693
LUMP SUM CONTRIBUTION:	\$0
LEASE IN LIEU OF LOCAL MATCH:	\$10,405,693
LEASE PAYMENT (ANNUAL)	\$530,891
PROJECT LOCATION:	WEBER AVENUE, STOCKTON, CALIFORNIA
EDUCATIONAL MANAGEMENT ORGANIZATION (EMO):	N/A
GUARANTOR/CO-BORROWER:	N/A

#### BACKGROUND:

Aspire Public Schools (Aspire) currently operates two schools in Stockton. However, these schools are chartered by the Lodi Unified School District (LUSD). Subsequently, Aspire received a charter from the Stockton Unified School District (SUSD) to operate a school for grades K–5 beginning in 2005–06. The charter also holds out the possibility that the school may expand to serve grades 6–8 in the future. Aspire projects that the school will open with 352 students in 2004–05 and stay at that level of enrollment in subsequent years. Staff has estimated that the estimated annual lease payment for Aspire’s Stockton project will be \$530,891.

#### CHARTER MISSION STATEMENT:

The mission for students at all of its schools is:

- to provide personalized learning experiences for California’s diverse students;
- to develop outstanding educators;
- to catalyze change in public schools; and
- to share their successful practices with other forward-thinking educators.

\* Based on excerpts from CSFA Staff Reports.

**CURRICULUM:**

Aspire’s curriculum, utilized at all of its schools, combines adopted programs and curriculum developed in-house to meet Aspire standards and “build basic skills, higher-order thinking skills and life skills”. The curriculum is designed for a K–12 system. The elements include:

- **Language Arts**—uses the Early Literacy Learning Initiative and Six Traits of Writing.
- **Mathematics**—uses the University of Chicago’s School Mathematics Project for grades 2–8 and College Prep Math, a nationally recognized math curriculum for grades 9–12.
- **Science**—at the elementary level, addresses science through projects and thematic units using the scientific method and application of the scientific method to everyday lives; and at the secondary level, uses a variety of curriculum materials and texts including Aims, Foss and AHA.
- **Social Science**—at the elementary level, integrates social science with the science units; and at the secondary level, uses materials and texts, including History Alive, Glencoe, Interact and Facing History.
- **Spanish Language**—Students are expected to develop competency in oral and written Spanish. If students are interested in other languages, they are encouraged to take advantage of courses on-line or at local colleges.

In addition, the curriculum addresses the visual and performing arts, health and nutrition and physical education.

**PROJECT INFORMATION:**

This project is an elementary school, scheduled to open in 2004–05 with 352 students. The estimated project costs are \$20,811,386, with an estimated lease in lieu of the local matching share of \$10,405,693. It is anticipated that the facility will be on Weber Avenue in Stockton, California.

**MATERIAL RISKS:**

The only specific risk that exists with Stockton project is that there is uncertainty as to whether it will be able to meet its initial enrollment projections. The waiting list information supports enrollment growth in its North Stockton and Lodi schools, may not necessarily be applicable to a school located more than five miles away in central Stockton.

**SUMMARY OF FINANCIALLY SOUND DETERMINATION:**

The information requested and received by CSFA was reviewed and evaluated for the purpose of a preliminary determination of whether the Applicant is financially sound, pursuant to state law and CSFP regulations, for the sole purpose of the CSFP’s preliminary apportionment. Based upon staff analysis of the Applicant and program criteria, the Applicant appears to be financially sound for the purposes of this preliminary apportionment.

**ASPIRE PUBLIC SCHOOLS—OAKLAND**

APPLICANT:	ASPIRE PUBLIC SCHOOLS
OPSC TRACKING NUMBER:	54/61259-13-001
SCHOOL DISTRICT:	OAKLAND UNIFIED SCHOOL DISTRICT
TOTAL PROJECT COST:	\$17,367,918
GRANT AMOUNT:	\$8,683,959
LUMP SUM CONTRIBUTION:	\$0
LEASE IN LIEU OF LOCAL MATCH:	\$8,683,959
LEASE PAYMENT (ANNUAL)	\$433,098
PROJECT LOCATION:	HEGENBERGER/E. 14TH STREET, OAKLAND, CALIFORNIA
EDUCATIONAL MANAGEMENT ORGANIZATION (EMO):	N/A
GUARANTOR/CO-BORROWER:	N/A

**BACKGROUND:**

Aspire Public Schools (Aspire) currently operates two charter schools within the Oakland Unified School District (OUSD), the Monarch Academy, a K–5 school founded in Fall 2000, and the Lionel Wilson College Preparatory Academy, a 6–12 school founded in Fall 2002. Aspire intends to utilize one of its existing charter agreements by expanding it to cover the applicant project or petitioning for a new charter agreement with OUSD.<sup>1</sup>

Aspire expects that the applicant project will open in 2005–06 with 576 students and will expand to 688 students by 2007–08. It should be noted that Aspire originally applied for funding for a K–12 project. However, the OPSC determined that OUSD did not have any remaining elementary school eligibility. Initially, Aspire’s enrollment projection for this project, as summarized above, included 224 students in grades 6–10 in 2005–06. Since learning of OPSC’s determination regarding elementary school eligibility, Aspire has indicated to CSFA staff that the total enrollment projection of 576 students in 2005–06 and 688 students by 2007–08 will not change. Aspire plans to enroll that number of students in grades 7–12, a slight increase in size over other secondary schools it currently operates.

Staff has estimated that the estimated annual lease payment for Aspire’s Oakland project will be \$433,098.

<sup>1</sup> In its application, Aspire indicated that it would be seeking a new charter for this project and included a copy of the charter petition it intended to submit to OUSD. However, the charter petition was for the Oakland Elementary School, and as discussed in this summary, OUSD has no remaining elementary school eligibility that can be used by Aspire for this project.

**CHARTER MISSION STATEMENT:**

The mission for students at all of its schools is:

- to provide personalized learning experiences for California’s diverse students;
- to develop outstanding educators;
- to catalyze change in public schools; and
- to share their successful practices with other forward-thinking educators.

**CURRICULUM:**

Aspire’s curriculum, utilized at all of its schools, combines adopted programs and curriculum developed in-house to meet Aspire standards and “build basic skills, higher-order thinking skills and life skills”. The curriculum is designed for a K–12 system. The elements include:

- **Language Arts**—uses the Early Literacy Learning Initiative and Six Traits of Writing.
- **Mathematics**—uses the University of Chicago’s School Mathematics Project for grades 2–8 and College Prep Math, a nationally recognized math curriculum for grades 9–12.
- **Science**—at the elementary level, addresses science through projects and thematic units using the scientific method and application of the scientific method to everyday lives; and at the secondary level, uses a variety of curriculum materials and texts including Aims, Foss and AHA.
- **Social Science**—at the elementary level, integrates social science with the science units; and at the secondary level, uses materials and texts, including History Alive, Glencoe, Interact and Facing History.
- **Spanish Language**—Students are expected to develop competency in oral and written Spanish. If students are interested in other languages, they are encouraged to take advantage of courses on-line or at local colleges.

In addition, the curriculum addresses the visual and performing arts, health and nutrition and physical education.

**PROJECT INFORMATION:**

This project is a school for grades 7–12, scheduled to open in 2005–06 with 576 students. The estimated project costs are \$17,367,918. It is anticipated that the facility will be located near the Hegenberger and East 14th Street area of Oakland, California.

**MATERIAL RISKS:**

With respect to Aspire's Oakland project, CSFA Staff notes that Aspire has not provided specific information that supports its planned enrollment for this school. Although Aspire's original project was for a K-12 school with a total of 688 students, it believes it can reach that number of students with just grades 7-12. Aspire provided generalized information regarding the popularity of Aspire schools, specific information regarding other schools in the area, and a waiting list for the elementary grades. However, Aspire has not provided sufficient information regarding how this school will reach its projected enrollment of 688 students. Staff remains unsure how Aspire will adjust to the new grade level restrictions for this project.

**SUMMARY OF FINANCIALLY SOUND DETERMINATION:**

The information requested and received by CSFA was reviewed and evaluated for the purpose of a preliminary determination of whether the Applicant is financially sound, pursuant to state law and CSFP regulations, for the sole purpose of the CSFP's preliminary apportionment. Based upon staff analysis of the Applicant and program criteria, the Applicant appears to be financially sound for the purposes of this preliminary apportionment.

**ANIMO LEADERSHIP CHARTER HIGH SCHOOL**

APPLICANT:	ANIMO LEADERSHIP CHARTER HIGH SCHOOL
OPSC TRACKING NUMBER:	54-64352-00-01
SCHOOL DISTRICT:	LENNOX ELEMENTARY SCHOOL DISTRICT (AWARDED CHARTER). CENTINELA VALLEY UNION H.S. DISTRICT
TOTAL PROJECT COST:	\$10,023,014
GRANT AMOUNT:	\$5,011,507
LUMP SUM CONTRIBUTION:	\$0
LEASE IN LIEU OF LOCAL MATCH:	\$5,011,507
LEASE PAYMENT (ANNUAL)	\$255,683
PROJECT LOCATION:	INGLEWOOD, LOS ANGELES COUNTY
EDUCATIONAL MANAGEMENT ORGANIZATION (EMO):	GREEN DOT PUBLIC SCHOOLS
GUARANTOR/CO-BORROWER:	GREEN DOT PUBLIC SCHOOLS

**BACKGROUND:**

Animo Leadership Charter High School (Animo Leadership) is a non-profit, public benefit corporation with 501(c)(3) status and currently operates a charter school in Los Angeles County for 407 students, grades 9 through 12. Its educational management organization is Green Dot Public Schools. Animo Leadership’s charter was awarded by Lennox Elementary School District on December 3, 1999, (expires June 30, 2004) and instruction commenced in the 1999–2000 academic year.

**CHARTER MISSION STATEMENT:**

The mission is to serve Los Angeles and its diverse students by:

- providing a world-class education; and
- developing effective community leaders.

The school aims to achieve this mission and serve economically and ethnically diverse students by offering significant personal attention and support, a rigorous curriculum, ample education technology, and the first comprehensive high school leadership program in Southern California.

Animo Leadership is nonsectarian in its programs, curriculum, admission policies, employment practices, and all other operations, does not charge tuition; and does not discriminate against any student on the basis of ethnicity, national origin, gender, or disability.

**CURRICULUM:**

All students are enrolled in classes meeting the University of California “A–G” admittance requirements and courses are aligned with the State Content Standards. All students are required to successfully complete 190 core curriculum credits for graduation. Graduation requirements emphasize the traditional subjects of Math, Science, English, Social Studies, and Foreign Language and these subjects are presented in ways that make them more responsive to the backgrounds and lives of the students. Teachers are encouraged to make adjustments to how they teach the different courses in order to adapt to their own teaching styles and the specific needs of their students.

**PROJECT INFORMATION:**

Animo Leadership seeks to construct a new high school facility. The funds will be utilized to construct a new facility on 2.98 acres west of Prairie Avenue between 101st and 102nd Streets, Inglewood, CA 90303. Animo Leadership Charter High School, under Green Dot Public Schools, plans to buy the land, valued at \$2,280,000, outright from the City of Inglewood. The project will allow the school to expand its enrollment in the next two years, from an estimated 412 students in 2002–03 to 525 students in 2005–06. The school does not plan to enroll more than 525 students at its peak enrollment.

**MATERIAL RISKS:**

No material risks were noted.

**SUMMARY OF FINANCIALLY SOUND DETERMINATION:**

The information requested and received by CSFA was reviewed and evaluated for the purpose of a preliminary determination of whether the Applicant is financially sound, pursuant to state law and CSFP regulations, for the sole purpose of the CSFP’s preliminary apportionment. Based upon staff analysis of the Applicant and program criteria, the Applicant appears to be financially sound for the purposes of this preliminary apportionment.

**ORANGE COUNTY HIGH SCHOOL OF THE ARTS**

APPLICANT:	ORANGE COUNTY HIGH SCHOOL OF THE ARTS
OPSC TRACKING NUMBER:	54/64733-00-03
SCHOOL DISTRICT:	SANTA ANA UNIFIED SCHOOL DISTRICT
TOTAL PROJECT COST:	\$28,634,364
GRANT AMOUNT:	\$14,317,182
LUMP SUM CONTRIBUTION:	\$0
LEASE IN LIEU OF LOCAL MATCH:	\$14,317,182
PRELIMINARY LEASE AMOUNT ANNUAL:	\$730,452
PROJECT (AND EXPANSION) LOCATIONS:	825 NORTH BROADWAY (6TH-8TH GRADE) 1104-1110 N. MAIN STREET (9TH-12TH GRADE) SANTA ANA, ORANGE COUNTY, CALIFORNIA
EDUCATIONAL MANAGEMENT ORGANIZATION (EMO):	N/A
GUARANTOR/CO-BORROWER:	CARIBOU INDUSTRIES, INC.

**BACKGROUND:**

Fifteen years ago, the Orange County High School of the Arts (“OCHSA”) began as an adjunct magnet arts program to the Los Alamitos High School. In 1998, a shortage of school facilities forced the Los Alamitos School District to reclaim OCHSA’s facility; at which time, OCHSA was courted by a number of cities in Orange County seeking to have the school locate within their city limits. Santa Ana’s mayor helped OCHSA secure a seven-story former bank building within Santa Ana. In January 2000 OCHSA secured its charter from the Santa Ana Unified School District and in September of that year, OCHSA commenced instruction to 960 students. Today, OCHSA serves 1,156 students in grades 7–12. OCHSA has historically been a regional school, serving the top art students from 92 cities and seven counties. However, as a stipulation of its charter approval in 2000, OCHSA committed to “strive for 30 percent enrollment of Santa Ana children.”

**MISSION STATEMENT:**

“To provide a dynamic and innovative education that embraces and integrates arts, academics, and technology with equity and access for promising young artists and performers.”

Core Values are listed below:

- growth and education of students comes first;
- to support a partnership between the arts and academics;
- commitment to excellence, character and integrity;
- continual drive for innovation, professionalism, artistic and intellectual growth;
- to inspire creativity and respect within the art and academic world;

- to create and maintain a nurturing community that fosters a spirit of cooperation, respect, and collaboration;
- to instill a passion for the arts and intellectual endeavors; and
- to reach out and serve the entire community.

**CURRICULUM:**

Given that OSHSA is an arts school, its curriculum emphasizes both academics and the arts. All OCHSA classes have UC Course Approvals and Western Association of Schools and Colleges (WASC) Accreditation. The Arts program focuses on classical/contemporary dance, commercial dance, creative writing, film/television, instrumental music, music and theatre, opera conservatory, production and design, and visual arts.

**PROJECT INFORMATION:**

OCHSA was initially seeking CSFP funds to develop separate elementary and middle school facilities. Since submitting its application in April, OCHSA has “fused” its applications into one, which seeks funding for one facility for its middle school students (grades 6–8). This revised strategy allows OCHSA to move from a 7–12 school serving 1,156 students on one site, to a two-site school serving approximately 1,850 students. A 535-student waiting list supports the school’s expansion plan and supports this projected increase in enrollment. As a testament to the demand for the expansion, a sign was recently posted at 825 Broadway (home of the new facility), which stated that the facility was near completion, and over 200 parents called inquiring about enrollment at the new site.

**SUMMARY OF FINANCIALLY SOUND DETERMINATION:**

The information requested and received by CSFA was reviewed and evaluated for the purpose of a preliminary determination of whether the Applicant is financially sound, pursuant to state law and CSFP regulations, for the sole purpose of the CSFP’s preliminary apportionment. Based upon staff analysis of the Applicant and program criteria, the Applicant appears to be financially sound for the purposes of this preliminary apportionment.

**MONTAGUE STREET ELEMENTARY CHARTER SCHOOL**

APPLICANT:	MONTAGUE STREET ELEMENTARY CHARTER SCHOOL
OPSC TRACKING NUMBER:	54/64733-00-02
SCHOOL DISTRICT:	LOS ANGELES UNIFIED SCHOOL DISTRICT
TOTAL PROJECT COST:	\$17,658,380
GRANT AMOUNT:	\$8,784,190
LUMP SUM CONTRIBUTION:	\$0
LEASE IN LIEU OF LOCAL MATCH:	\$8,784,190
LEASE PAYMENT (ANNUAL):	\$448,163
PROJECT LOCATION:	13000 MONTAGUE ST., PACOIMA, CA 91331
EDUCATIONAL MANAGEMENT ORGANIZATION (EMO):	N/A
GUARANTOR/CO-BORROWER:	N/A

**BACKGROUND:**

The applicant is a locally funded, fiscally independent charter school, chartered under the sponsorship of Los Angeles Unified School District. Montague Street Elementary Charter School (Montague) currently operates a charter school in Los Angeles County for 1130 students in grades K–5. They began instructional operations in July 1996 as a dependent charter. On July 1, 1997, Montague Charter converted and assumed fiscal independence with the exception of the Montague Special Education Center, which remains the financial responsibility of LAUSD. In June 2002, the Montague Charter Academy charter was renewed by LAUSD and expires in June 2007.

**CHARTER MISSION STATEMENT:**

Montague has an 11-point “Belief Statement and School Wide Vision” that defines the guiding principles and foundation of the charter efforts of the teachers, staff, parents, students, and community members. Their vision for the next five years is:

- improve student learning;
- provide equal access for all students to a rigorous learning program;
- expand learning opportunities through extended time;
- continue to implement innovative programs to address critical issues;
- continue as a school where all stakeholders have a significant voice and where all are accountable for student outcomes; and
- continue the school focus where learning is the primary mission for all—students, teachers, staff, parents and community.

**CURRICULUM:**

Montague has established a new academic culture with the adoption of Core Knowledge as the framework for instruction. As a Core Knowledge School, Montague's comprehensive curriculum model is focused on delivering instruction to students that meets the California, District, Core Knowledge Content and Stanford 9 standards. The Comprehensive Schools Reform Model (CSR), with the Core Knowledge Foundation as the major source, provides for rigorous instruction in all areas of the curriculum. The reading program, Open Court, and the math program, Saxon Math, are research based and have proven successful in providing for student achievement at all ability levels. Core Knowledge Science and Social Studies and Visual and Performing Arts emphasizes learning in all areas of the curriculum. This curriculum, due to its highly motivating and clearly outlined content, encourages all students to meet its challenging standards.

Specialists in the areas of art, music, technology, library research skills, and physical education support the Core Curriculum. All of the components are unified in grade level pacing and assessment plans that facilitate a comprehensive, research based and connected educational program with benchmarks and continuous assessments to ensure student success.

**PROJECT INFORMATION:**

The applicant has located an eight-acre parcel two blocks from its current site. There is a proposal for LAUSD to purchase the land and build the school site, which will become a part of Montague.

Montague seeks to construct a new Primary Center to ease overcrowding at the current site. The Primary Center would house the pre-Kindergarten through second grade students, allowing for an all day Kindergarten program at the Center and the addition of 120 seats at Montague for grades K-5. This would significantly decrease the housing shortage the feeder middle schools are experiencing.

**MATERIAL RISKS:**

A minor material risk would be the continual reliance on the use of ending fund balance to make lease payments. The plan to increase student enrollment and continued increase of "in seat attendance" are reasonable and should result in increased revenues.

**SUMMARY OF FINANCIALLY SOUND DETERMINATION:**

The information requested and received by CSFA was reviewed and evaluated for the purpose of a preliminary determination of whether the Applicant is financially sound, pursuant to state law and CSFP regulations, for the sole purpose of the CSFP's preliminary apportionment. Based upon staff analysis of the Applicant and program criteria, the Applicant appears to be financially sound for the purposes of this preliminary apportionment.

**ACADEMY OF CAREER EDUCATION**

<b>APPLICANT:</b>	WHEATLAND UNION HIGH SCHOOL DISTRICT, ON BEHALF OF ACADEMY OF CAREER EDUCATION
<b>OPSC TRACKING NUMBER:</b>	54/72769-00-01
<b>SCHOOL DISTRICT:</b>	WHEATLAND UNION HIGH SCHOOL DISTRICT
<b>TOTAL PROJECT COST:</b>	\$2,629,094
<b>GRANT AMOUNT:</b>	\$1,314,547
<b>LUMP SUM CONTRIBUTION:</b>	\$0
<b>LEASE IN LIEU OF LOCAL MATCH:</b>	\$1,314,547
<b>PRELIMINARY LEASE PAYMENT (ANNUAL)</b>	\$67,067
<b>PROJECT LOCATION:</b>	801 OLIVE STREET, WHEATLAND, CA 95692 (CURRENT ADDRESS) NEW ADDRESS: TO BE DETERMINED
<b>EDUCATIONAL MANAGEMENT ORGANIZATION (EMO):</b>	N/A
<b>GUARANTOR/CO-BORROWER:</b>	WHEATLAND UNION HIGH SCHOOL DISTRICT

**BACKGROUND:**

The Academy of Career Education (ACE) is a non-profit, public benefit corporation with 501(c)(3) status that currently operates a charter school in Yuba County for approximately 50 students in grades 9–12. The charter was awarded by the Wheatland Union High School District (WUHSD) in May 1999 (expires June 2004) as a public school conversion and instruction commenced in September 1999. ACE is a district-operated charter school.

**CHARTER MISSION STATEMENT:**

ACE was founded and dedicated to the high-risk pupils of the WUHSD for the purposes of:

- improving pupil learning by offering core academics as well as academics applicable to a pupil's career choice;
- providing different paths toward graduation based on a pupil's aptitude, interests and abilities.
- increasing learning opportunities for all pupils with a heightened emphasis on active learning and development of employment skills and attitudes;
- providing parents and pupils with an alternative for educational opportunities that are available within the public school system;
- meeting measurable pupil outcomes, and providing the school with a method to change from rule-based to performance-based accountability systems; and
- providing an opportunity for students to become self-motivated, competent, and life-long learners.

**CURRICULUM:**

There are six general areas that are the foundation of the ACE curriculum. These are:

1. All students are introduced to technology literacy through software skills, multimedia skills, and technology communication skills.
2. All students are prepared for a career through pre-employment skills training, job-shadowing, internships, and work experience and will work toward a Tri-county School to Career Work Ready Certificate.
3. All students demonstrate positive citizenship and ethics through participation in community services, peer tutoring and Yuba County Office of Education's Character Counts program.
4. All students become lifelong learners by developing skills, which will enable them to pursue their own path of learning throughout their adult lives. These skills include improving their reading comprehension and language expression.
5. All students become better communicators by communicating clearly both orally and in writing. This will be demonstrated through several mediums including their multimedia presentation for their Digital Graduation Portfolio.
6. All students demonstrate collaboration through teamwork with family, peers, businesses, and community. Students will collaborate with community members during their community project.

**PROJECT INFORMATION:**

ACE currently operates in two classrooms located at the county special education school and is charged no facility costs. The classrooms are approximately 900 square feet each with two offices approximately 100 square feet each. ACE seeks to purchase land and construct four new classroom facilities to increase enrollment to 100 students in grades 9–12.

**MATERIAL RISKS:**

CSFA staff did not identify any areas of significant concern. Although the charter is due to be renewed in June 2004, the past and current good standing the school has with its chartering entity mitigate the risk. The school may face some challenges as it opens a new facility at a new location, but it has demonstrated a steady demand for its educational services.

**SUMMARY OF FINANCIALLY SOUND DETERMINATION:**

The information requested and received by CSFA was reviewed and evaluated for the purpose of a preliminary determination of whether the applicant is financially sound, pursuant to state law and CSFP regulations, for the sole purpose of the CSFP's preliminary apportionment. Based upon staff analysis of the Applicant and program criteria, the Applicant appears to be financially sound for the purposes of this preliminary apportionment.

APPENDIX FOUR

## APPENDIX FIVE

### ADDITIONAL PUBLIC COMMENT ON STATUTES AND REGULATIONS

The following comments were received from the public through the application process including comments received at the June 6, 2003, SAB Implementation Committee meeting and have been included for informational purposes.

#### SAB/OPSC ISSUES

##### ISSUE ONE: **ADVANCED APPORTIONMENTS FOR PLANNING AND SITE ACQUISITION**

The current regulations do not provide the option of receiving advanced (seed) money for applicants that receive preliminary apportionment for planning/design or site acquisition purposes. The main elements of the CSFP, by law were crafted around the Critically Overcrowded School Program (COSP) (e.g., the determination of which grants will comprise the preliminary apportionment, the timelines for converting the project, and the method for determining the value of the preliminary site). In regulation, critically overcrowded school applicants were provided the ability to receive an advanced apportionment for site and planning purposes between receiving the preliminary apportionment and converting to the final apportionment.

##### RECOMMENDATION

No recommendation at this time.

##### ISSUE TWO: **SITE ACQUISITION AND TOXIC COST APPORTIONMENT**

Current regulation determines how the value of a site will be calculated for the purposes of providing site acquisition funding. One of the elements that makes up the site acquisition apportionment is an amount for hazardous material/waste removal, which is half the value of the site. For example if the value of the site is \$3,000,000, the amount provided for hazardous material/waste removal would automatically be \$1,500,000. The concern is that this amount may be overstated and that at the time of final apportionment the unused funds should be transferred back into the Charter School Facility Fund.

##### RECOMMENDATION

The OPSC will be amending in regulation how the hazardous material/waste removal is calculated. It will no longer be an automatic half of the value of the site, but that the applicant will be allowed to request a lesser value. The regulations already provide that any funds remaining after the conversion of a project shall be transferred back into the Charter School Facility Fund for future charter school projects.

**ISSUE THREE: DETERMINATION OF LOW-INCOME PREFERENCE POINTS**

The preference points for Low-Income are currently calculated based upon the free/reduced lunch percentage for the pupils attending the charter school. The regulations should be amended to allow for low-income preference points where a pupil is eligible for, but has not applied for, free/reduced price lunch.

**RECOMMENDATION**

The OPSC will look at how the Low-Income preference points are calculated to determine if there is a more equitable measure that could be applied. A recommendation is not being provided at this time.

**ISSUE FOUR: NOTIFICATION OF INTENT TO APPLY**

By law, charter schools that apply on their own behalf are required to notify the superintendent and school district governing board 30 days prior to submitting an application. Currently, charter schools self-certify on the application that this requirement has been met. The regulations should be amended to require that charter schools send the notification by certified mail with a return receipt and that a copy of that information be submitted to the OPSC with the application.

**RECOMMENDATION**

The OPSC will review the notification requirement and will look at revising the instructions and certification page on the form to require that it be sent by certified mail.

**ISSUE FIVE: BUILDING FOR EXISTING PUPILS VERSUS PROPOSED**

The OPSC and CSFA accepted two types of applications for the CSFP. The first type is for existing charter schools which have been instructing and housing pupils in some type of leased facility and are applying into the program to build permanent facilities for their existing pupils. The second type of application is to actually acquire funding through the program to open new charter schools for pupils currently attending other schools but who are on waiting lists.

Some members of the School Facility Committee expressed their concern that it is not equitable to provide preliminary apportionments to charter schools building for new pupils over charter schools with existing pupils.

There is currently no distinction or preference given to either type of application described above. However, each type of application is distinct and poses different challenges in terms of applying preference points equitably to correctly represent the applicant.

**RECOMMENDATION**

No recommendation at this time.

**ISSUE SIX: LEASE PAYMENT OBLIGATIONS**

Charter schools applying on their own behalf that receive a preliminary apportionment and choose the lease payment option for their local share contribution are required to make annual lease payments to the SAB. With the school district holding title for the facility we have been informed of some school districts asking the charter school in addition to making lease payments to the SAB to also make lease payments to the school district for use of the facility under the requirements of Proposition 39.

**RECOMMENDATION**

No recommendation at this time.

**ISSUE SEVEN: COUNTY OFFICE OF EDUCATION ENROLLMENT ELIGIBILITY**

Currently in the SFP, school districts and County Offices of Education can only count pupils in their enrollment that they are actually serving. For example, a high school district can only count 9–12 pupils enrollment to determine eligibility. County Offices of Education on the whole mainly report severe and non-severe pupils to determine eligibility because they directly serve these pupils at the county level. However, we do have county offices that have chartered charter schools. In this case, county offices of education are required to serve all the pupils in their county and should, therefore, be able to account for those pupils in their enrollment and, in essence, to establish eligibility.

**RECOMMENDATION**

No recommendation at this time.

**CSFA ISSUES**

**ISSUE ONE: CSFA APPLICATION**

The CSFA should allow by regulation or policy, that charter schools or school district applicants adopt a resolution that authorizes one signatory for all CSFA required information including the legal questionnaire. In addition, the legal questionnaire should be limited to information related to the financial soundness of the applicant and should not require personal information about individual board members.

**RECOMMENDATION**

CSFA should solicit additional public comment on these items and any others as part of its future regulatory proceedings for the CSFP.

