

Office of the California State Treasurer  
and  
California School Finance Authority (CSFA)

Presents:

Webinar - SB740 Program

Tuesday, May 17, 2017

10:00 a.m. – 11:00 a.m. PDT

<https://youtu.be/rlzT6WarTZ0>

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[Webinar commenced at 10:00 a.m.]

**Slide 1 Opening Statement**

>> IAN DAVIS: Good afternoon, and welcome to the California School Finance Authority SB740 webinar.

>> KATRINA JOHANTGEN: Welcome everyone, thanks for joining us this morning. The 17-18 funding round is underway. The applications are due in June. This is our second year using the online applications, so we hope everyone is finding that easy to use. We will provide a question-and-answer period once all the information has been provided through the webinar, and with that, I will turn it over to Ian Davis. He will be joined this morning by Anne Osborne, the co-lead on this program, and we thank you for your time this morning.

>> IAN DAVIS: Okay, thank you very much, Katrina. If you have any technical issues, contact GoToWebinar [refer to slide], live captioning is available at the link below, and a recording of the presentation as well as the transcription will be available early next week. If you have any questions, you may click on the questions item on your webinar app and type in any questions. If you have any issues with audio or anything you can type those in, and we will try to respond to those issues. If you have any questions about the SB740 program, you can type them in. If we don't get to your question, we will be responding to question and send out responses to all the participants afterwards.

## **Slide 2 Introductions**

Again, my name is Ian Davis, I'm the program co-lead, and I am joined with Anne Osborne.

If you have any questions outside of this webinar, you can reach us at [SB740@treasurer.ca.gov](mailto:SB740@treasurer.ca.gov)

## **Slide 2 Agenda**

>> ANNE OSBORNE: Today's webinar will be about SB740 and today's agenda will include a program overview, the program eligibility, calculator, application overview, invoice updates, regulation updates, and contact information. This is probably a repeat for some, hopefully we have some new people on the line.

## **Slide 3 Program Overview**

The Charter School Grant Program also known as SB740 was established in 2002 to reimburse schools with facilities and rent and lease costs.

## **Slide 4 Program Overview**

According to the governor's budget for years 17-18, we'll have \$112 million to reimburse rent or lease and/or other costs. Schools will be receiving three apportionments. We have one in October, one in March, another one in August.

## **Slide 5 Program Eligibility**

Charter Schools must have a current charter on file with the Authority. If your charter is current, you can just select the 'On-File' box on the application. If your school is not current, we will need your updated charter, and any new schools, we will need those charters as well. Also the schools must meet the 55% FRPM, the Free and Reduced Price Meal requirement. This is a criteria for your school, and if you are unable to meet this criteria, the charter may use its local elementary school to meet that criteria. Preference in admissions, we will talk about that later.

## **Slide 6 Program Eligibility**

Again, this program is based on classroom eligibility, so schools that have classroom based attendance are eligible for this program. Schools that are non-classroom based are ineligible. We have had a few questions about that in the past. Schools must be in good standing throughout the term of the grant. This is something

we instituted last year, and going forward, it's a requirement for the Program that the schools are in good standing with their authorizers. Schools must have eligible lease costs. Again, your lease needs to be current, and it must meet the eligibility requirements of the program. Other costs we will reimburse during True-up.

### **Slide 6 Preference in Admissions**

Preference in admissions. This is something new that we brought in last year, and a lot of schools were able to do this but we just want to bring that back to the forefront for everyone. Schools relying on their local elementary school, to meet the FRPM requirement of 55 percent. In addition to this FRPM requirement, we also need the schools using their local elementary to provide a preference in admissions. We will accept this in several forms -- an admission statement in the school's charter petition, a signed resolution from the school's board of directors and a school's admission enrollment policy are forms of preference in admissions.

### **Slide 7 Maximum Grant Calculator**

>> IAN DAVIS: Thank you, very much, Anne. So in order to calculate the school's award, we must look at two caps, we also call this 'the lesser of the two' calculations. These caps include 75 percent of the annual facilities costs or the school's ADA x \$750. So by 75 percent of the annual facility costs, I mean the entire school's annual facility cost. This includes the school's eligible leases and other costs, and then the other cap is the school's classroom-based ADA x \$750.

### **Slide 8 Program Calculator**

As an example, here is a school's award calculator. Here is their entire 15-16 facility lease cost [refer to slide] and 75 percent is calculated out. The school's total ADA for the year is 217.15 x 750. We look at the two items: the school's 75 percent facilities cost and the ADA cap. We can see the ADA cap is the lesser of the two of these caps, therefore the school's award shall be \$162,000 for the year.

At the end of the year, the school is able to submit other costs to us during their final True-up, but because the school's ADA has already capped them out, there's no need for them to submit those costs. Thus we can simply disburse these funds as follows:

- The first one is their initial disbursement or initial apportionment which we usually submit to the school in October, and that's 50 percent of the award.

- The second apportionment is in March, an additional 25 percent of the award, so 75 percent of their total award.
- The final apportionment is basically any amount of funds still owed to the school. Again, during True-up the school may submit other costs or their ADA can significantly change. So we recalculate the school's award, send that calculation and awards notice in August, and those awards usually come to you about a month later. The entire award will be completely awarded by August of the following year.

### **Slide 9 Application Overview**

As discussed, this is our second round of online applications. We are asking all schools to submit their applications via online. This application was made available on April 21st, 2017 and will be due to the Authority no later than June 1, 2017 at 5:00 p.m., at which time the website will shut down and will basically tell you that the application period has closed. If the school is having any technical difficulties with the online application, please give us a call or contact us at [SB740@treasurer.ca.gov](mailto:SB740@treasurer.ca.gov). There is an online tutorial available with a video guide on how to complete the application on our website. If you have any questions, I highly recommend checking out our frequently asked questions or the webinar, and if that's not helping, please contact us, we will help mitigate any issues you may be having. Again, if you are having significant issues beyond that, such as special technical issues, then please contact us and we will send you a hard copy of the application.

### **Slide 10 Steps for Success**

Preparing for the online application: please make sure to scan all your documents ahead of time. Each document will need to be scanned separately, and the maximum size of each PDF is 5000kb or 5mb. The documents you will need to prepare will include a current and valid charter agreement, the authorizer's board minutes approving the charter, a list of the school's board members, and finally, the SB740 legal status questionnaire and certification signature pages. This is the part of the application and it is for certifying that all of the information is correct and true. The legal status questionnaire is for any ongoing legal issues that need to be identified. Those two documents are a single PDF you will need to print up, fill out, and have school leadership sign. You can scan those two documents together and submit them together on the final page of the application, the online application.

If the documents for board members, the charter, the approved board minutes

and even the school's lease are already on file with the Authority, then there's no need to resubmit those items to us. There is a button on the online application which will allow you to let us know the items are already 'On-file' with us. Of course we will review our own files and make sure these items are up to date and accurate and, if not, we will contact you and let you know that we need updated items so that we can process your grant.

>> ANNE OSBORNE: Ian, board members, a lot of times those do change. So even if you do have the board members on file with us, we would appreciate having the new list of board members.

### **Slide 11 Steps for Success**

>> IAN DAVIS: Yes. Thank you very much, Anne. As discussed, this program is primarily for lease and rent costs. The schools can submit just other costs if that's the only facility cost they have for the year, but for the most part most schools are submitting rent and lease costs to us. So when you're submitting that lease, please make sure if you have multiple sites, to separate each lease separately, scan them separately and save them as PDFs. We recommend you save the file as the school's street address just to help us understand which lease this is. The SB740 Application has the ability to upload up to three separate sites. If you have any more than that, there is one button to upload all the remaining sites that you may have, and we have schools that have several sites. If your files are greater than 5mb or 5000 KB, simply contact us at [sb740@treasurer.ca.gov](mailto:sb740@treasurer.ca.gov) and you can email those files directly to us, and we will add them to your school's folder. When completing the online application, you can click the item that says that this file is already on file with us or you could scan a single page letting us know that this was already sent via email.

### **Slide 12 Other Costs**

Moving on to other costs, this is for schools that are currently participating in the program or for those that are going to be reviewing their true-up costs next year. All other costs must be submitted with our invoice report, which in the past was referred to as the invoice wizard. This invoice report is an Excel spreadsheet that basically allows you to list item by item the various invoices that you're requesting. This is extremely helpful to us as it lets us know the amount that you are requesting reimbursement for, the dates that costs occurred, and that the dates fall within the current funding round.

The types of costs that we can reimburse are things like remodeling buildings

which is like modification or extending the structure of an existing building. This may also include taking down a wall or extending the size of the building. We cannot do new construction so if you are doing foundation-up new construction, then that would be ineligible for our program, and we would highly recommend you take a look at our federally funded [Incentives Program](#).

We also can pay for deferred maintenance, which are repairs and maintenance to the facilities. This may include repair to the air conditioner, waxing floors, repairing walls and so forth. Installation and extending services like placing new equipment down, HVAC, security systems, cabling. Built-in equipment would be items that are affixed to the wall and become permanent parts of the structure such as bookshelves and cabinets. We will not reimburse furniture, such as chairs and desks, as these are not affixed to the facility itself.

Improving sites, so labor and materials used to enhance the school's appearance, beautification projects, playground equipment, and finally, maintaining and repairing common areas, this is generally landscaping and/or janitorial costs or even utility costs.

### **Slide 13 Invoice Template - Updates and clarifications**

Again, these costs will only need to be sent to us at the end of the year during the school's final true-up. For those schools currently participating in the program, the invoice report is available on our website and you can begin filling it out, but it's not due until July 17th, 2017 at 5:00 p.m. This gives schools the opportunity to close out your school year and close out your costs. We will cover costs all the way up till June 30th, 2017. The types of costs that we will not reimburse would be costs such as consumables such as janitorial supplies like toilet paper, cleaning supplies as well as employee salaries, anybody who's on the school's employee pay roll we will not be able to reimburse.

Just to let you know, we'll be talking about this a little bit more, the invoice costs shall be reviewed for related parties starting this year, that is a regulation change that we recently made. And we recommend those schools submitting invoice costs to please take a look at our conflict of interest section and make sure that there are no related parties between the school's leadership and staff and its vendors. And if there are, then there are several steps the school needs to take in order to be reimbursed for those types of costs.

## **Slide 14 CSFA Website**

All right. This is what our current website looks like right now. As I said before, our online application is available, it's the one listed as the 2017-18 Application, and then below that are the signature pages for application. You can click on this, and you will get the LSQ and the SB740 signature page to download and get ready so you can upload all your documents for your online application at once. Those pages are also available for download on the application form itself, but this is just a nice little heads-up.

For resources, we have frequently asked questions, the current invoice report, which is due, again, July 17th, 2017, and then we have a tutorial on how to complete the online application as well as a transcript.

## **Slide 15 Invoice Instructions**

When completing the invoices, each invoice should state the vendor, the project, description, and location of service as well as the project date of service must be between July 1 of 2016 and June 30 of 2017 for those schools currently participating in the program. For those schools that are going to be participating in the program next year, then your funding round dates would be July 1<sup>st</sup>, 2017 to June 30<sup>th</sup>, 2018. If you do not have an invoice, then please submit copies of receipts, bank statements. While the filling out of the invoice report, make sure to provide a brief description of the project and its location. Again, we will be reviewing these for related parties, and we will get into that more as we discuss regulation updates.

## **Slide 16 Invoice Email**

When you finally submit the invoice packet, you will be submitting it with the invoice wizard and the signature page, which is the final page of the invoice report. This page will require you to print it up, have school leadership sign it, confirming all the information is correct and true and that there are no related parties between the school staff and leadership and its vendors. Finally the invoice documents or receipts themselves.

I understand that sometimes emails can only take so much storage, so you can certainly send these files in multiple emails. Please make your subject line the school's name and the current funding round, and then we will attach that information to the school's file and send out a confirmation of receipt.

### **Slide 17 Regulation Updates - Emergency Regulations 10170.3 Eligible Applicant**

>> ANNE OSBORNE: Thank you, Ian. We've had a lot of information, and now we're going to get into the real fun stuff, our emergency regulations which are currently in effect. We just had these recently approved by the Office of Administrative Law, so we would like to bring these to your attention. The first section that we updated was the eligible applicant section. This is section 10170.3, item D-2, which we have added that the local school district determines the local elementary school. So again, we talked about this in preference and admissions, that schools relying on an elementary school, that elementary school is determined by the local school district.

In section F, the good standing, we just put in writing now the calendar. So we talked about this again, that the good standing will be requested by the authorizer three times, once upon receipt of the application, it will probably occur in June, and then in February before we issue the second apportionment, and then again we will ask for it before we disburse final funds, that would be around August.

>> IAN DAVIS: Just to point out, again, this is not something that the school needs to provide us, we will be contacting the chartering authority directly for this information.

### **Slide 18 Regulation Updates - Emergency Regulations 10170.14 Conflict of Interest**

>> ANNE OSBORNE: Yes. Thank you, Ian. The other section that we recently updated was our conflict of interest, you've heard a lot of about this throughout the presentation. This is something that the authority is looking at, this is something new. And in section 10170.14, conflict of interest section C is where we have added for school vendors --

>> IAN DAVIS: Service agreements, yes.

>> ANNE OSBORNE: Service agreements. So we just want to bring that to your attention. And what that means is if you have a related party with one of your vendors, we ask that you review the related party outlines. And just to highlight how we define related party, the related party cannot participate in the approval of the contract. I think that's pretty self-explanatory but we just want make sure that everyone is aware of that. Also if you do have a related party that this is disclosed during your board meeting or that they've recused themselves from the board meeting so everybody knows that the related party has been acknowledged.

In section 4 of our FAQs we have further information on related parties. Ian, would you like to add anything?

>> IAN DAVIS: Yes, this related party section has been in our program since 2013, and we have been asking schools to comply with this since 2014. This is something that all of our participating schools are currently doing, thanks very much for responding to any questions that we've had about any potential conflict of interests, and we've been just at this point doing it for schools' leases, but we've found it prudent that we also look at the schools' service agreements as well.

>> ANNE OSBORNE: And on that note, you will be seeing this on the invoice report submission page where a school [indistinct] will be certifying that there's no conflict of interest between the school and its vendors. So we have really stepped up our game here and just want all schools to be aware of this.

### **Slide 19 Proposed Permanent Regulations - 10170.4 Eligible Costs**

>> IAN DAVIS: So while the emergency regulations are currently in effect, we recently went to our board and got these proposed permanent regulations approved, and they are now routing through the Office of Administrative Law. These will likely be in effect as early as September of 2017. The first one is under section 10170.4 Eligible Costs (b) these are items which the Grant will not be apportioned for such as costs incurred for administrative costs. This is a program that is primarily for the facility costs and not for administrative costs. Lease costs based on SB740 funds awarded to the school. We found some schools entered into leases where the lessor has retroactively increased the school's facility costs based on any awards they received from the state, including SB740 program. Because this program relies on reviewing 75 percent of the school's facility cost, we found it programmatically impossible to calculate the award if it's increasing every time we award to the school, we call it a circular cost. Any costs that has been reimbursed will be the final amount, and we will not be reimbursing retroactive increases, just the school's base rent.

Costs of a facility previously purchased and paid in full by the State Charter School Facilities Incentive Grants Program, (Incentives program), which the California School Finance Authority also oversees. This program will reimburse the purchase of a site. So if the school has already purchased the site, there should not be a need for a lease cost, so just making sure this program is primarily for rent and lease costs and not to pay for purchased facilities. If you do have other costs for that site, such as utilities and common area maintenance, you can submit those. This program is not for reimbursing the purchase of a site. Lease to Purchase agreements where the rent lowers the final purchase price. Again this program is not for reimbursing the purchase of a site.

## **Slide 20 - Proposed Permanent Regulations - 10170.4 Eligible Costs**

Finally, section E is already in effect, but we have extended some of the rules to provide a bit more understanding for schools. For those schools that share a site with a district facility which is ineligible for our program and a portion of the student population is housed in an ineligible facility and a portion in an eligible facility, we ask that the school split that ADA, so only the eligible facilities should be included in the school's award calculator. Thus far we have been asking schools to self-certify that information. To make it a little easier for schools that have students that migrate, you would be submitting the square footage of your district's facilities as compared to your privately leased facilities. And then we would only include the ADA and multiply that by the \$750 to arrive at the school's cap.

Students do not migrate may continue to self-certify their information. At this point we haven't modified the application to include these questions. But most likely we will be asking for this information in September, and then next year's application will likely include this as a line item, so that way this is all handled at one time during the school's application.

## **Slide 21 Upcoming Dates**

We have a few upcoming dates. Of course, the SB740 application due June 1st at 5:00 p.m. If you have to submit a hard copy, it has to be in our office at 5:00 p.m. exactly. You can submit to either the LA or Sacramento office, but that's only if you have experiencing technical difficulties. Otherwise, please submit online. As well as the invoice report for all the schools participating in the program, you may submit to us your invoice report. This is not a requirement, but if you would like us to reimburse the costs, please submit it no later than July 17, 2017

## **Slide 22 Questions**

We've had a few questions. Anne, would you like to read off a few.

>> ANNE OSBORNE: The first question, if schools are using their own FRPM, do they need to show this?

>> IAN DAVIS: I believe they mean the preference in admissions. So if you are a school whose FRPM is greater than 55 percent, there's no need to provide a preference admissions to us as you are relying on your own FRPM to meet eligibility. But if you have to rely on your local elementary, we ask you to provide a preference admissions.

This evidence must cite the elementary school by name. This evidence should be listed on either the charter petition or board summary or even a pamphlet handed out to students or parents.

>> ANNE OSBORNE: When you say charter agreement, does that refer to the charter petition or MOU with authorizer.

>> IAN DAVIS: The charter petition is exactly what we're looking for. So please provide either a charter petition or the MOU with your authorizer.

>> ANNE OSBORNE: And release amounts, we are to include the rent amounts for fiscal year 16-17.

>> IAN DAVIS: Correct, and please include the amount, how much you will be paying in rent for 16-17 year. You can include the entire annual amount or monthly amount. And if you are currently in a lease that is going to be expiring June 30th, and you may be in negotiations right now for a new lease, you could either send us the draft lease -- and of course we will be looking for the executed one. So when executed, please send to [SB740@treasurer.ca.gov](mailto:SB740@treasurer.ca.gov) or you can send us a simple letter saying that this lease is still in negotiation. Of course we will not be able to reimburse funds until we see the executed lease so the sooner the better.

If you have additional questions, we will be responding to those at a later time and then sending those responses to every single participant as well as anybody participating in our list serve, which is available on this website here <http://www.treasurer.ca.gov/csfa/csfgp/>, and on that primary page you can find our FAQs, a tutorial on how to complete the online application, as well as the online application itself.

>> ANNE OSBORNE: Thank you, everyone, and we appreciate all the questions. We hope this webinar has been helpful for you. What we'd like to do is give you our contact information. We have Katrina Johantgen, our Executive Director; Dana Brazelton, our Supervisor; Laura Martinez, our Program Manager; Ian Davis, who co-leads with myself. And we have analysts that will be reviewing your applications as well. [refer to slide] So you may see those names asking you for additional information, and we just ask that you respond as quickly as you can, as that will move your review and application along quicker.

So again, we want to thank you so much for your time today. If you have any questions that we have not covered, feel free to reach out to us at [SB740@treasurer.ca.gov](mailto:SB740@treasurer.ca.gov), again, thank you so much for your time.

>> IAN DAVIS: We will be providing these slides on our website fairly shortly. The

recording and transcripts will be available early next week, and we should be responding to all of your questions around that same time. So look out for that as well as an update to the frequently asked questions. Again, thank you for participating and we hope to see your application soon.

[End of webinar 10:40am PST]