

MEMORANDUM

Staff Summary No. 5

Date: May 30, 2024

To: Members of the California School Finance Authority

From: Katrina M. Johantgen, Executive Director

Subject: Resolution No. 24-20 – Approving the Charter School Facilities Credit Enhancement Grant Program (CDFA #84.354A) Award in an Amount Not to Exceed \$2,000,000 to EEI Support Corporation on behalf of Envision Education, Inc., located in Alameda County

Background: The California School Finance Authority (Authority) received a grant award in 2010 under the U.S. Department of Education’s Credit Enhancement for Charter Schools Facilities Program (CFDA # 84.354A), which, for purposes of the Authority’s implementation, has been entitled the “Charter School Facilities Enhancement Grant Program” (Program). This federal grant, authorized under Title V, Part B, Subpart 2 of the Elementary and Secondary Education Act, as amended by the No Child Left Behind Act of 2001, provides \$8,300,000 to fund primary debt service reserves for the financing of acquisition, renovation, or construction of charter school facilities, or the refinancing of existing charter school facility debt utilized for such purposes.

Since that time, the Authority has been awarded four additional grants, including the Project Acceleration Notes and Credit Enhancement Alternatives (PANACEA) Program in 2017; the Charter Access to Bank Loan Enhancement (Charter ABLE) Program in 2019; the Charter Finance Enhancement (Charter FINE) Program in 2021; and the Credit Enhancement for Charter Schools Facilities Program in 2023. As a function of how those programs are structured, excess investment returns can be used to fund additional enhancement awards. Additionally, award amounts can be combined amongst programs if there isn’t sufficient funding in a single program. Finally, the Authority is working with both the United States Department of Education and the Office of Administrative Law on the implementation of the \$20 million 2023 grant, which may potentially be available at the time of this financing’s pricing and closing. In that case, the award would be pending the availability of grant funds in the Authority’s federal account at the time of closing as well as having Program regulations in effect.

Application: EEI Support Corporation (the “Borrower”), on behalf of EEI and Envision Academy of Arts and Technology and Impact Academy of Arts and Technology, each a charter school operated by EEI, is applying for an enhancement award in the amount not-to-exceed \$2,000,000. The final award amount will be finalized at the time the bonds are priced and sold. According to information provided by the Borrower, by helping to finance a debt service reserve fund that would otherwise be financed with bond proceeds, the CE Grant allows the Borrower to reduce its borrowing costs. Additionally, the Grant will reduce the overall lease costs for Envision Academy of Arts and Technology and Impact Academy of Arts and Technology.

Eligibility Requirements: The applicant meets and has demonstrated all eligibility and evaluation requirements of the Program, including without limitation:

- Good Standing – Good standing from the Authorizer is on file with the Authority;
- Applicant (1) is located in a school district and/or county where at least 50% of students do not meet the State standard for proficiency in either math or language on the state assessment, or (2) is located in a school district and/or county with more than 50% of the student population eligible for free or reduced-price lunch (The Oakland Hayward Unified Schools and Alameda County, where the schools are located, are substantially above this threshold), or (3) has more than 50% of current or projected student enrollment who are eligible for free or reduced-price lunch; and/or
- Ability to secure placement of its debt with an investor(s), secure an investment grade credit rating from a national credit rating agency in conjunction with a public sale, or other evidence, satisfactory to the authority that the transaction will be completed.

Recommendation: Staff recommends the Board adopt Resolution No. 24-20, awarding the Borrower, on behalf of the operator of Envision Schools, a Charter Finance Enhancement Program (CDFA #84.354A) Award in a not-to-exceed amount of \$2,000,000.

If funds come from the forthcoming grant this recommendation is contingent on the availability of grant funds in our federal account, and Program regulations being in effect.