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THE CHARTER LAW FIRM



How to Maximize SB 740 Lease Reimbursement

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Goals for Session



1. Discuss the process for applying for and receiving SB 740 funds.
2. Discuss the different structures that can be used to qualify for SB 740 funds.
3. Discuss other facilities cost reimbursement programs that can help offset these costs.

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What is SB 740?



The Charter School Facility Grant Program (SB 740) was established in 2001 and provides annual assistance with facilities rent and lease expenditures, as well as certain site improvements, to charter schools that meet specific eligibility criteria.

This year, the SB 740 program was allocated approximately \$50 million dollars.



SB 740 Eligibility



- Who qualifies for SB 740?
- Free and Reduced Price Meal percentages
 - 70% vs. 60% vs. 55%
- Not in existing District- or County-owned facilities
- An approved charter has been awarded and is current, or for a new charter, a charter petition has been submitted for approval to the Chartering Authority and evidence, such as a copy of the charter petition, is submitted that the school anticipates beginning operations in the Fiscal Year for which an Application is submitted.



Eligible Costs



- Eligible costs:
 - Costs associated with facility rents or leases, as evidenced by an executed rental or lease agreement. Facilities must be used principally for classroom instruction.
 - Costs associated with remodeling buildings, deferred maintenance, initially installing or extending service systems and other built-in equipment, and improving sites.
 - Other costs associated with rental or leased facilities, including, but not limited to, common area maintenance charges that are based on the Charter School's usage of the facility and are limited to maintaining and repairing the facility and its common areas.



Costs that are NOT eligible




- Grant funds may not be used for:
 - Units of average daily attendance generated through nonclassroom-based instruction.
 - Charter Schools occupying existing school district or county office of education facilities, except that Charter Schools shall be eligible for the portions of their facilities that are not existing school district or county office of education facilities.
 - Charter Schools receiving Prop. 39 facilities, except that Charter Schools shall be eligible for the portions of their facilities that are not reasonably equivalent facilities received from their chartering authorities.
 - Overhead or other administrative costs of the Charter School or other entity, insurance, property taxes and other assessments against the property, or utility charges.






Award amounts



Assuming the program is fully funded, charter schools may receive \$750 per unit of average daily attendance, up to 75% of the annual rent and lease costs for the Charter School for the Fiscal Year for which the Application is submitted and an award of grant funds is made.

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Application Timelines



- Applications (one original and one duplicate) are due to CSFA on May 10 at 5:00 p.m. by mail or hand-delivery.
- A school can submit an application between May 10 and October 15 ONLY if:
 - A Charter School relocates from a facility that was ineligible for a grant award to a facility that is eligible and the Application includes a description of the change in facility circumstances justifying a late Application.
 - A First Year Charter School (that will begin operations in the year for which it requests funding).
- A separate application must be submitted for each charter school with a separate CDS code. Organizations operating more than one facility location under the same CDS code must combine all facilities operating under that CDS code in one application.

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Supporting Documentation



- Contents of the Application:
 - The application.
 - A copy of current charter agreement and verification of the expiration date.
 - A copy of the rent or lease agreement contract, or other documentation, verifying the rent or lease costs being claimed, and evidence that the rent or lease term matches or exceeds the anticipated term for funds claimed.***
 - For costs associated with remodeling buildings, deferred maintenance, initially installing or extending service systems and other built-in equipment, or improving sites:
 - A description of the work for which the reimbursement is requested, including how it meets one of the categories of eligible work.
 - A budget providing detail of the costs to be reimbursed.
 - Applicable contracts for work to be performed to the extent they exist at the time of the Application.

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Supporting Documentation



- New charter schools also have to submit an application, as well as:
 - An approved charter agreement evidencing the First Year Charter School's intention of operating a Charter School during the Fiscal Year for which grant funds are requested. ***
 - An executed rent or lease agreement for the Fiscal Year for which grant funds are requested. ***
 - An estimate of enrollment by grade for the Fiscal Year.



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Disbursement of Funds



- 50% Estimated Annual Entitlement by August 31, or 30 days after enactment of the annual Budget Act, whichever is later. Eligible late applicants will receive their first apportionment within 30 days of their eligibility determination.
- 75% of Estimated Annual Entitlement by March 1 with adjustments.
- 100% of Estimated Annual Entitlement by 30 days after the end of the fiscal year or 30 days after receiving the data and documentation needed to compute the Charter School's total annual entitlement, whichever is later, with adjustments.
- Construction/improvement costs are reimbursed when supporting documentation is provided to substantiate actual expenditures.



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Appeals



There is an option to appeal your eligibility determination and your entitlement determination, first to CSFA staff and then to the CSFA Board.



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Conflict of Interest




- “Affiliate” shall mean a shareholder, partner, member, officer or board member of, or person who directly or indirectly controls, a Corporate Entity.
- “Corporate Entity” shall mean any type of organization or legal entity other than an individual, including a corporation, partnership, limited liability company or unincorporated association.
- “Related Party” shall mean: (A) A School Official or a spouse, domestic partner, or dependent child of a School Official; or (B) A Corporate Entity if a School Official or a spouse, domestic partner, or child of a School Official is an Affiliate of the Corporate Entity.

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Conflict of Interest




- HOWEVER, a non-profit Corporate Entity formed exclusively for the purpose of managing or providing support to the Applicant or Charter School or to a group of related charter schools, and any direct or indirect wholly-owned subsidiary of any such Corporate Entity, shall not be considered a Related Party.
- “School Official” shall mean a board, member, officer, or employee of an Applicant or the Charter School.

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Conflict of Interest



- Grant funds may not be used by an Applicant or Charter School to pay for any lease or rental agreement with a Related Party, unless all of the following conditions are satisfied:
 1. The Related Party, and, in the case of a Corporate Entity, any School Official who is an Affiliate of the Corporate Entity, abstains from voting, or participating in the discussion of the governing board of the Charter School, regarding approval of the lease, rental agreement, or any amendment thereto.
 2. The Related Party, and, in the case of a Corporate Entity, any School Official who is an Affiliate of the Corporate Entity, abstains from voting, or participating in the discussion of the governing board of the Charter School, regarding the decision to apply for a grant to cover costs associated with the lease or rental agreement, as well as abstaining from participating in the Application administration of the Charter School’s receipt of grant funds.

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Conflict of Interest (con't)



3. The Related Party, and, in the case of a Corporate Entity, any School Official who is an Affiliate of the Corporate Entity, discloses its interest in the lease or rental agreement to the governing board of the Charter School.
4. The amount of the lease or rent is at or below market rate based on an independent appraisal paid for by the Applicant or Charter School or the governing board in approving the lease or rental agreement or amendments thereto has made a finding that the agreement is reasonable under the circumstances.
5. The lease or rental agreement is not signed by the Related Party, or in the case of a Corporate Entity, by any School Official who is an Affiliate of the Corporate Entity, on behalf of the Applicant or Charter School.



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Potential Structures



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Potential Structures



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Reimbursable Costs



What costs are reimbursable?

Be sure to claim any available partial reimbursements!

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QUESTIONS?



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