

March 27, 2007

Supporting Statement for the Reporting Requirements for the Charter Schools Facilities Financing Demonstration/Credit Enhancement for Charter School Facilities Program

1. The Credit Enhancement for Charter School Facilities Program and its virtually identical antecedent program, the Charter Schools Facilities Financing Demonstration Program, authorized as part of the reauthorization of the Elementary and Secondary Education Act, have a statutory mandate for an annual report (respectively, Section 5227 and Section 10227).

Statutory/Application Notice Requirements

All grantees must provide the following on an annual basis:

- A. The grant performance summary page. This page provides key summary data related to the performance of the grant;
- B. An evaluation by the grantee of the effectiveness of its use of Federal funds to leverage other funds. This evaluation must include a description of the activities used to assist charter schools in acquiring (by purchase, lease or donation) or constructing (including renovating, repairing, and altering) school facilities and a description of the characteristics of lenders and other financial institutions participating in the activities undertaken by the grantee. Furthermore, it must (1) include a statement about whether the grantee has sufficient resources from its grant to serve additional schools and (2) indicate approximately how many additional schools it can serve. In the event that there have been any delinquencies or defaults, the grantee must identify the school(s) and remedies, and indicate both draws from and reimbursements to the reserve account. In the event that there has been a notice of probation, suspension, or revocation of a charter, the grantee must elaborate. In the event there was collaboration with another grantee to serve one or more charter schools, the grantee must indicate the names of the schools and the grantees;
- C. A brief narrative describing participating lenders and financial institutions;
- D. An IRS Form 990 (due 30 days after filing);
- E. An audit report (including any opinion thereon); the OMB Circular A-133 audit; and audited financial statements, including (1) the management letter and any response(s); (2) schedules; and (3) auditor's notes related to the specific activity for which the Grant money was awarded, (due 180 days following the end of the Grantee's standard fiscal year);
- F. A budget report including actual and projected expenditures. In addition, the report must include a brief narrative describing the uses of the actual expenditures;
- G. The EXCEL spreadsheets. The EXCEL spreadsheets include the Newly financed schools spreadsheet, the Previously financed school spreadsheet, the Budget spreadsheet, the Schools receiving services other than guaranteeing or insuring debt spreadsheet, and the Reconciliation spreadsheet;

H. Bank or brokerage statement(s) for all reserve account investments and deposits as of the last day of the reporting period, or as close to that date as possible. There is no need to submit statements for every month of the year; and

I. A timeline that includes specific schedules and accomplishments pertaining to the Grantee's program.

Grantees that make loans or own school facilities

Furthermore, grantees that use their grants to credit-enhance loans that they (rather than a third party) make must provide copies of the term sheets for charter schools served under this grant as part of these reports. In addition, grantees that guarantee or insure leases of a building(s) that they own must submit a copy of the lease and the terms and conditions of the guarantee of the lease.

Performance indicators

The performance indicators include:

- A. The amount of funding grantees leverage for charter schools to acquire, construct, and renovate school facilities and
- B. The number of charter schools served.

Unlike other discretionary grant programs administered by ED, this program is primarily a financial program. These grantees draw down the entire amount of their grants after they sign a performance agreement acceptable to ED. All grantees must invest grant funds and use these monies to leverage non-Federal funds for the purchase, renovation, or construction of facilities by guaranteeing, insuring, reinsuring debt and leases. Monitoring these grants is critical to ensure that funds are properly invested, funds are properly spent or otherwise applied, and the grantees perform up to the level they committed to in their performance agreements. Used properly, the funds should serve multiple charter schools and, over time, be recycled to help additional schools, thus extending these project grantee periods for approximately 30 years.

OMB clearance is requested for the entire annual report as the number of respondents exceeds 9.

To simplify reporting for the grantees, ED has divided the attached EXCEL workbook into five spreadsheets: 1) Newly financed schools; 2) Previously financed schools; 3) Budget; 4) Schools receiving services other than guaranteeing or insuring debt; and 5) Reconciliation. Each section is explained below. The information obtained in these annual reports would be used to monitor grantee performance.

- 1) Newly Financed Schools: This section includes basic school identifiers that reveal what types of schools and students have been served with program funds. In addition, this section requests specific information regarding the financings, to assist ED in determining if the program provides better rates and returns than the

schools would be otherwise able to obtain. Information provided in this section will also identify any defaults or other problems tied to repayments, and how the grantee has used grant funds to remedy such situations. This section requires details regarding the resulting facilities for each school (purchase, construction, and renovation details) and how such facility improvements and/or acquisitions may have enabled the schools to accommodate more students.

- 2) Previously financed charter schools: This section requests specific information regarding the financings, to assist ED in determining if the program provides better rates and returns than the schools would be otherwise able to obtain. Information provided in this section will also identify any defaults or other problems tied to repayments, and how the grantee has used grant funds to remedy such situations.
- 3) Budget: Since all of the grantee's projects last for longer than the five years budgeted in the performance agreement, we seek to update these budgets, as well as to collect data on actual expenditures and earnings.
- 4) Schools receiving services other than guaranteeing or insuring debt: While our grantees will primarily focus on guaranteeing and insuring debt, we also seek to capture uses of funds for the other three statutory purposes of the program: guaranteeing and insuring leases, facilitating lending, and facilitating bonding.
- 5) Reconciliation: This section would have grantees reconcile the balances for their reserve accounts. This grant program is unusual in that grantees may drawdown their entire grant without actually spending these funds. In addition, these grants can both increase in size through earnings on the grant funds and decrease in size due to defaults and other types of grant expenses. The reconciliation spreadsheet would help track these grant funds and decrease the ability of someone to misstate grant expenses or improperly use these funds.

Lastly, grantees would include a summary page that would provide cursory quantitative information about the grantee's performance. We require grantees to submit their most recent performance report as part of their grant application. The grant readers and ED's evaluation office indicate that including this page would make it easier for them to judge the performance of the grantees.

2. The reports will be used to monitor grantees for compliance with their performance agreements and the statutory and regulatory requirements for the program. The reports will also be used to evaluate and improve the performance of the program. Furthermore, the reports will be used by the Secretary to report to Congress required under Section 5227(b)(3)/10227(b)(3).

In addition, past performance reports must be added to the application package for the program (1810-0644) since past performance is a factor under the selection criteria for previous grant recipients.

3. The Department plans to accept electronically submitted performance reports in Word and Excel.
4. This is the first time the US Department of Education (ED) has changed the performance report for the Credit Enhancement for Charter School Facilities Grants program (formerly known as the Charter School Facilities Financing Demonstration Grants program). ED is proposing to make several changes to both minimize the paperwork burden it imposes and to maximize the utility of the data collection.

Annual report items

The original reporting package included both an annual report and a half-year report. ED proposes to discontinue the half-year report on the grounds that it is not sufficiently useful and that it can make more effective use of its time and the grantees' by conducting monitoring.

Within the annual report, ED proposes to delete two of the spreadsheets that used to be required and to add two sections.

- ED proposes to delete the declined schools spreadsheet and the waitlisted schools spreadsheet because the grantees have not been able to make use of these spreadsheets. The grantees indicate that they discourage charter schools from going through the application process if it looks as if they will not qualify for services under the grant. None of the grantees have had to develop waitlists for serving schools.
- ED proposes to add a spreadsheet and a summary page. The spreadsheet would have grantees reconcile the balances for their reserve accounts. This grant program is unusual in that grantees may drawdown their entire grant without actually spending these funds. In addition, these grants can both increase in size through earnings on the grant funds and decrease in size due to defaults and other types of grant expenses. The reconciliation spreadsheet

would help track these grant funds and decrease the ability of someone to misstate grant expenses or improperly use these funds. The summary page would provide cursory quantitative information about the grantee's performance. We require grantees to submit their most recent performance report as part of their grant application. The grant readers and ED's evaluation office indicate that including this page would make it easier for them to judge the performance of the grantees.

ED proposes to delete and add data items in the spreadsheets for new charter schools served and charter schools served in previous years. ED proposes to delete several data items regarding school characteristics, such as student demographics and the age of the school, which it can obtain data through the Education Data Exchange Network (EDEN) system. In order to access these data in EDEN, ED is adding a data item for the National Center for Education Statistics School Identification Number. This number is a unique identifier that will enable us to obtain data collected about the school through the Common Core of Data. In addition, the Department proposes to eliminate several items regarding delinquencies and defaults, since they rarely occur. Instead, the Department will capture delinquencies and defaults on its new summary page and require grantees that have delinquencies and defaults to provide detail about them in their evaluations. This will reduce burden without losing information.

5. Small businesses are not impacted by this data collection.
6. The Department needs the information to monitor and evaluate grantees. If no information were collected, the Department would not be in compliance with the authorizing statute and the application notice. In addition, the Department would not be able to report on its GPRA performance indicators for the program. Data collection is also critical in these grants to ensure that these multi-millionaire grants are appropriately handled.
7. There are no special circumstances that require the collection to be conducted in a manner inconsistent with the guidelines in 5 CFR 1320.5.

8. William R. Hough and Company, an investment bank serving as a financial consultant for the program, developed an initial draft of the material event, half-year, and annual reporting requirements. These requirements were refined based on advice requested from all sixteen grantees and several offices within ED, including PPSS, Budget Service, Federal Student Aid, the Office of the Inspector General, and the Office of the General Counsel.

We will seek public comment via the appropriate Federal Registrar notices.

9. No gifts or payments will be made to respondents other than the award to the grant recipient.

10. No assurance of confidentiality is provided.

11. There is no question of a sensitive nature in this collection of information.

12. Estimated respondent cost for a report is based on 25 hours per annual report. The figures are based on comments from some of ED's grantees.

We estimate respondent cost at an average of \$25 per hour so that the average cost per annual report would be $\$25 \times 25 \text{ hours} = \625 .

We expect that a total of 23 annual reports will be received from grantees. Total estimated cost: \$14,375.

Estimated data burden for grants:

Annual reporting burden per response (preparing and submitting the annual report):

$25 \text{ hours} \times 23 \text{ grants} = 575 \text{ hours}$

Total Burden for Grant = 575 hours

13. There are no startup costs to respondents.

14. Estimated annualized Federal cost:

Program Personnel:

1 person @ \$32/hr. x 205 hours = \$6,560
2 people @ \$25/hr. x 205 hours = \$10,250

15. The number of grantees has increased and therefore the number of staff and hours needed to review the performance reports has increased. All of this burden is considered new because this collection is a reinstatement.

16. The Secretary will use the results to report to Congress and in reporting data under the Government Performance and Results Act.

17. The expiration date will be displayed on the information collection.

18. There is no exception to the certifications.

B. Statistical Methodology

This collection does not employ statistical methodology.