

Status: Submitted

Last Updated: 09/26/2019 02:57 PM

## Technical Review Coversheet

**Applicant:** Texas Public Finance Authority (S354A190010)

**Reader #1:** \*\*\*\*\*

	Points Possible	Points Scored
<b>Questions</b>		
<b>Selection Criteria</b>		
<b>Quality of project design and significance</b>		
1. Quality Project Design	35	30
<b>Quality of Project Services</b>		
1. Project Services	15	11
<b>Capacity</b>		
1. Capacity	35	34
<b>Quality of Project Personnel</b>		
1. Project Personnel	15	15
<b>Sub Total</b>	100	90
<b>Priority Questions</b>		
<b>Competitive Preference Priority</b>		
<b>Competitive Preference Priority 1</b>		
1. CPP1	5	1
<b>Competitive Preference Priority 2</b>		
1. CPP2	5	1
<b>Competitive Preference Priority 3</b>		
1. CPP3	5	1
<b>Sub Total</b>	15	3
<b>Total</b>	115	93

# Technical Review Form

Panel #3 - FY19 Credit Enhancement Panel 3: 84.354A

Reader #1: \*\*\*\*\*

Applicant: Texas Public Finance Authority (S354A190010)

## Questions

### Selection Criteria - Quality of project design and significance

#### 1. In determining the quality of project design and significance, the Secretary considers--

- (1) The extent to which the grant proposal would provide financing to charter schools at better rates and terms than they can receive absent assistance through the program;
- (2) The extent to which the project goals, objectives, and timeline are clearly specified, measurable, and appropriate for the purpose of the program;
- (3) The extent to which the project implementation plan and activities, including the partnerships established, are likely to achieve measurable objectives that further the purposes of the program;
- (4) The extent to which the project is likely to produce results that are replicable;
- (5) The extent to which the project will use appropriate criteria for selecting charter schools for assistance and for determining the type and amount of assistance to be given;
- (6) The extent to which the proposed activities will leverage private or public-sector funding and increase the number and variety of charter schools assisted in meeting their facilities needs more than would be accomplished absent the program;
- (7) The extent to which the project will serve charter schools in States with strong charter laws, consistent with the criteria for such laws in section 4303(g)(2) of the ESEA; and
- (8) The extent to which the requested grant amount and the project costs are reasonable in relation to the objectives, design, and potential significance of the project.

#### Strengths:

The applicant establishes that the grant proposal would provide financing to charter schools at better terms than they can receive absent the assistance, specifically being able to reduce or eliminate the need of schools to fund a debt reserve, increasing the loan to value of bond financing.

The applicant articulates a target leverage ratio of at least 11:1 for all awards.

The applicant cites its existing Credit Enhancement program as evidence of the project's ability to produce results that are replicable, and it provides the historical leverage of about 16:1 and the fact that it has experienced zero losses and has been able to grow its reserve by \$12 million based on interest earnings.

The applicant lays out that its application process and eligibility standards are aligned to the Texas Education Agency oversight and performance grading for charter schools.

The applicant establishes that with the PSF Bond Guarantee Program in high demand, the applicant's program has been a viable alternative for schools otherwise not eligible for PSF guarantees or otherwise not able to access the program. With the requested Credit Enhancement award, the applicant makes the case that it will be able to stand in for debt service coverage reserves for these schools and expand their respective liquidity to fund operations and service its debt.

timely.

The applicant offers up evidence of a growing charter school student population with also increasing dedication of state funding (about a 9% increase from the prior year).

The applicant lays out the likely demand for its program in light of growth within the charter sector, both number of students served and charter school operators. Moreover, the applicant proposes to use its existing operations and staff to implement its proposal, dedicating the requested Credit Enhancement grant entirely to debt service reserves for charter schools. The applicant estimates that a new Credit Enhancement award will appreciate by \$1.5 million by the 5th year of the project, not including any earnings from the prior Credit Enhancement award.

**Weaknesses:**

The applicant does not establish to what extent the grant proposal would provide financing to charter schools necessarily at better rates absent assistance through the program.

The applicant does not propose any specific, measurable goals or objectives beyond the target leverage ratio of 11:1.

The applicant provides limited details regarding implementation timeline and relies on an assumed familiarity of its existing program and past Credit Enhancement award.

**Reader's Score: 30**

**Selection Criteria - Quality of Project Services**

**1. In determining the quality of the project services, the Secretary considers--**

- (1) The extent to which the services to be provided by the project reflect the identified needs of the charter schools to be served;**
- (2) The extent to which charter schools and chartering agencies were involved in the design of, and demonstrate support for, the project;**
- (3) The extent to which the technical assistance and other services to be provided by the proposed grant project involve the use of cost-effective strategies for increasing charter schools' access to facilities financing, including the reasonableness of fees and lending terms; and**
- (4) The extent to which the services to be provided by the proposed grant project are focused on assisting charter schools with a likelihood of success and the greatest demonstrated need for assistance under the program.**

**Strengths:**

The applicant relies on its existing Credit Enhancement program and its applicants to validate the needs of the charter schools to be served, specifically that these schools tend to be small to medium sized charter schools, not having a high credit rating, and in some cases not having a credit rating at all. These factors may otherwise force them to offer other forms of security to bond holders such as debt service reserves, and the applicant outlines how its Credit Enhancement program can specifically solve or address this challenge.

On page 21, the applicant offers up its Consortium agreement between two state entities and one 501(c)3 nonprofit corporation, as evidence of partnership in the design and support of the proposed project.

The applicant benefits from credit due diligence done on charter school applicants prior to ever seeing a request, so the charter school applicants tend to be already screened for likelihood of success and need for the program.

**Weaknesses:**

Because of the filtering mechanism of who participates in the Credit Enhancement program, it is not clear that the technical assistance provided is accessible to the broader charter school community. While TPPFA is one of the largest issuers of public debt in the state and no doubt extremely knowledgeable, it's not clear that everyone can access that. Moreover, it appears that the state charter school association provides more direct technical assistance in the absence of individual schools being able to access technical assistance directly through the Credit Enhancement program, unless they have already gone through the trouble of bond offering underwriting and negotiation on their own.

**Reader's Score:** 11

**Selection Criteria - Capacity**

1. In determining an applicant's business and organizational capacity to carry out the project, the Secretary considers--
  - (1) The amount and quality of experience of the applicant in carrying out the activities it proposes to undertake in its application, such as enhancing the credit on debt issuances, guaranteeing leases, and facilitating financing;
  - (2) The applicant's financial stability;
  - (3) The ability of the applicant to protect against unwarranted risk in its loan underwriting, portfolio monitoring, and financial management;
  - (4) The applicant's expertise in education to evaluate the likelihood of success of a charter school;
  - (5) The ability of the applicant to prevent conflicts of interest, including conflicts of interest by employees and members of the board of directors in a decision-making role;
  - (6) If the applicant has co-applicants (consortium members), partners, or other grant project participants, the specific resources to be contributed by each co-applicant (consortium member), partner, or other grant project participant to the implementation and success of the grant project;
  - (7) For State governmental entities, the extent to which steps have been or will be taken to ensure that charter schools within the State receive the funding needed to obtain adequate facilities; and
  - (8) For previous grantees under the charter school facilities programs, their performance in implementing these grants.

**Strengths:**

The applicant has an existing Credit Enhancement program providing debt service reserves for bond financing transactions. The proposed project has the benefit of leveraging the existing infrastructure and staff of TPFA.

The applicant is a state agency, and the state of Texas has the highest credit rating given by rating agencies. Additionally, it manages over \$3 billion in fixed rate obligations and \$600 million in commercial paper capacity.

The applicant offers its prior program and its track record, specifically no draws on that fund to date, as evidence of its ability to protect against unwarranted risk in loan underwriting, portfolio monitoring, and financial management. The

applicant describes its relationship with the Texas Education Agency to secure additional insight into analyzing a charter school, as well as the stages a charter school applicant must go through during underwriting and then subsequent monitoring.

The applicant outlines its policies and practices to adequately identify and eliminate potential and actual conflicts of interest.

The applicant is part of a consortium of agencies and organizations, and it provides a detailed breakdown of the respective roles and responsibilities of each member of the consortium.

As a prior grantee, the applicant presents its record of allocation of virtually all the funds, leveraged at a ratio greater than what was written into its performance agreement, funding 20 schools and not experiencing any defaults or draws.

**Weaknesses:**

The applicant makes a strong case for its ability to evaluate the likelihood of financial success, but it doesn't include much in the way of being able to evaluate other aspects of success. It cites the relationship with TEA and application alignment partially addressing this, but it's not clear that there are staff members directly involved with as much familiarity on other matters such as academic performance.

The applicant's discussion on steps it has taken and will take to ensure schools receive the funding needed to obtain adequate facilities is not clear.

**Reader's Score:**      **34**

**Selection Criteria - Quality of Project Personnel**

**1. In determining the quality of project personnel, the Secretary considers--**

**(1) The qualifications of project personnel, including relevant training and experience, of the project manager and other members of the project team, including consultants or subcontractors; and**

**(2) The staffing plan for the grant project.**

**Strengths:**

The applicant's board and executive teams present evidence of both relevant experience and subject matter expertise, as evidenced by the included bios.

The staffing plan for the grant project is slated to leverage the existing staff and staff functions currently in place at the applicant, and the applicant does not require any additional staff nor does it propose to use any of the Credit Enhancement award to fund its operations that are otherwise adequately funded.

**Weaknesses:**

No weaknesses noted.

**Reader's Score:**      **15**

## Priority Questions

### Competitive Preference Priority - Competitive Preference Priority 1

1. For FY 2019 and any subsequent year in which we make awards from the list of unfunded applications from this competition, this priority is a competitive preference priority. Under 34 CFR 75.105(c)(2)(i), we award up to an additional 15 points to an application, depending on how well the application addresses the priority.

This priority is:

The capacity of charter schools to offer public school choice in those communities with the greatest need for this choice based on--

(1) The extent to which the applicant would target services to geographic areas in which a large proportion or number of public schools have been identified for comprehensive support and improvement or targeted support and improvement under the ESEA, as amended by the Every Student Succeeds Act (up to 5 points);

#### Strengths:

The applicant does acknowledge that it receives data to allow it to give a preference to charter schools within geographic areas which demonstrate that a large proportion or number of public schools have been identified for improvement, corrective action or restructuring under Title I of the ESEA Act of 1965.

#### Weaknesses:

The applicant does not articulate how receiving the data to allow it to give a preference to charter schools within geographic areas which demonstrate a large proportion of public schools identified for improvement, corrective action or restructuring, actually translates into a targeting of services. Notwithstanding, that this data appears to be aligned with data aligned to NCLB vs. ESSA. It doesn't set any specific, measurable goals or objectives to meet this priority. Moreover, because of the credit due diligence that is performed prior to the applicant receiving an application, this filtering raises questions about the applicant's ability to target services to schools meeting this competitive preference priority.

Reader's Score: 1

### Competitive Preference Priority - Competitive Preference Priority 2

1. For FY 2019 and any subsequent year in which we make awards from the list of unfunded applications from this competition, this priority is a competitive preference priority. Under 34 CFR 75.105(c)(2)(i), we award up to an additional 15 points to an application, depending on how well the application addresses the priority.

This priority is:

The capacity of charter schools to offer public school choice in those communities with the greatest need for this choice based on--

(2) The extent to which the applicant would target services to geographic areas in which a large proportion of students perform below proficient on State academic assessments (up to 5 points); and

#### Strengths:

The applicant does acknowledge that it receives data to allow it to give a preference to geographic areas where a large proportion of students perform below proficient on state assessments.

**Weaknesses:**

The applicant does not articulate how receiving data on the student proficiency or lack thereof of a geographic area translates into a targeting. It does not set any specific, measurable goals or objectives to meet this priority. Moreover, because of the credit due diligence that is performed prior to the applicant receiving an application, this filtering raises questions about the applicant's ability to target services to schools meeting this competitive preference priority.

**Reader's Score:** 1

**Competitive Preference Priority - Competitive Preference Priority 3**

1. For FY 2019 and any subsequent year in which we make awards from the list of unfunded applications from this competition, this priority is a competitive preference priority. Under 34 CFR 75.105(c)(2)(i), we award up to an additional 15 points to an application, depending on how well the application addresses the priority.

**This priority is:**

The capacity of charter schools to offer public school choice in those communities with the greatest need for this choice based on--

(3) The extent to which the applicant would target services to communities with large proportions of students from low-income families (up to 5 points).

**Strengths:**

The applicant acknowledges that it receives data to allow it to give a preference to communities with large proportions of students from low-income families.

**Weaknesses:**

The applicant does not establish how receiving the applicant data concerning low income status of its community translates into a targeting. No specific, measurable goal or objectives are set to meet or emphasize this competitive preference priority. Moreover, because of the credit due diligence that is performed prior to the applicant receiving an application, this filtering raises questions about the applicant's ability to target services to schools meeting this competitive preference priority.

**Reader's Score:** 1

---

**Status:** Submitted  
**Last Updated:** 09/26/2019 02:57 PM

Status: Draft

Last Updated: 09/17/2019 01:11 PM

## Technical Review Coversheet

**Applicant:** Texas Public Finance Authority (S354A190010)

**Reader #2:** \*\*\*\*\*

	Points Possible	Points Scored
<b>Questions</b>		
<b>Selection Criteria</b>		
<b>Quality of project design and significance</b>		
1. Quality Project Design	35	31
<b>Quality of Project Services</b>		
1. Project Services	15	11
<b>Capacity</b>		
1. Capacity	35	32
<b>Quality of Project Personnel</b>		
1. Project Personnel	15	15
<b>Sub Total</b>	100	89
<b>Priority Questions</b>		
<b>Competitive Preference Priority</b>		
<b>Competitive Preference Priority 1</b>		
1. CPP1	5	2
<b>Competitive Preference Priority 2</b>		
1. CPP2	5	2
<b>Competitive Preference Priority 3</b>		
1. CPP3	5	2
<b>Sub Total</b>	15	6
<b>Total</b>	115	95



# Technical Review Form

Panel #3 - FY19 Credit Enhancement Panel 3: 84.354A

Reader #2: \*\*\*\*\*

Applicant: Texas Public Finance Authority (S354A190010)

## Questions

### Selection Criteria - Quality of project design and significance

#### 1. In determining the quality of project design and significance, the Secretary considers--

- (1) The extent to which the grant proposal would provide financing to charter schools at better rates and terms than they can receive absent assistance through the program;
- (2) The extent to which the project goals, objectives, and timeline are clearly specified, measurable, and appropriate for the purpose of the program;
- (3) The extent to which the project implementation plan and activities, including the partnerships established, are likely to achieve measurable objectives that further the purposes of the program;
- (4) The extent to which the project is likely to produce results that are replicable;
- (5) The extent to which the project will use appropriate criteria for selecting charter schools for assistance and for determining the type and amount of assistance to be given;
- (6) The extent to which the proposed activities will leverage private or public-sector funding and increase the number and variety of charter schools assisted in meeting their facilities needs more than would be accomplished absent the program;
- (7) The extent to which the project will serve charter schools in States with strong charter laws, consistent with the criteria for such laws in section 4303(g)(2) of the ESEA; and
- (8) The extent to which the requested grant amount and the project costs are reasonable in relation to the objectives, design, and potential significance of the project.

#### Strengths:

- (1) The value proposition of the Texas Credit Enhancement Program (TCEP) is that the Texas Public Finance Authority (TPFA) offers "one-stop shop" for open-enrollment charter schools. This allows charter schools to reduce its borrowing costs by freeing up cash that would have been committed to debt service reserves. (page 6) Rates and terms are implied.
- (2) As a result of the previously received grant awarded in 2005, TPFA has a "Performance Agreement" with the Department which establishes guidelines related to the permissible use of the grant. (page 7) They have facilitated transactions previously. Using the current process they anticipate that the requested \$10 million grant from the U.S. Department of Education Credit Enhancement for Charter Schools Facilities Grant program will be committed within 4 years. (page 10)

The application mentioned that the remaining \$1,751,000.71 from the 2005 program is expected to be used up by 4 charters that have expressed intent to submit TCEP applications related to pending or existing bond issues. (page 9)

- (3) The implementation plan for the new grant request is based on an existing successful model with enhanced marketing efforts targeting new and developing charter holders. (page 10) The staff have ongoing conversations with financial advisors representing various Texas charter schools which is consistent with interest during the last seven years.

CSFC has taken steps to improve and streamline the application process from preset deadlines to an open application period providing flexibility for charter schools to complete the process. (page 11) Other changes includes removing \$1 million cumulative cap and the creation of a “dashboard” to present information in a clear and concise way.

(4) The Texas Credit Enhancement Program has been in operation since 2005 with much success. The prior award total \$20.1 of which \$1.4 million is still in process. This coupled with increased activity in the charter school market has established replicable results.

(5) The TCEP application process and eligibility standards mirror Texas Education Agency oversight and performance grading of charter schools. Applicants must meet specific guidelines including an academic accountability rating of “A”, “B”, “C”, or “D” or the alternative “Met Standard” or “Met Alternative Standard” among other guidelines. The CSFC may waive eligibility requirements to further the objective of the TCEP program. (page 13)

(6) The program will target a leverage ratio of 11:11 but historical leverage has been 15.98:1. At the end of fiscal year 2018, the PSF Bond Guarantee Program was guaranteeing \$1.4 billion in outstanding charter school obligations. Texas realizes that schools need broad access to capital markets which is why the Legislature established the Texas Bond Guarantee Program. (page 14)

(7) For the 2017-18 school year, Texas had 296,323 students enrolled in 770 state-approved charter schools with 67% of those students considered economically disadvantaged. Student population is increasing between 8-13% annually during the past five years. (page 17) 130,000 students are reported to be on the wait list. Changes in the state included House Bill 3 which will is expected to increase funding and growth for charter schools in the state.

#### **Weaknesses:**

(1) No rates and terms included in the application. They rely on activity from the original \$10 million grant from the Department of Education.

(2) No pipeline is mentioned in the project goals.

(5) Application could have used a chart or diagram to further explain the approval process. Since this is a consortium a flow charter would clarify the different stages charter schools would expect in the financing process.

(7) More specifics needed as to Texas ranking as a states with strong charter school

**Reader's Score: 31**

#### **Selection Criteria - Quality of Project Services**

##### **1. In determining the quality of the project services, the Secretary considers--**

**(1) The extent to which the services to be provided by the project reflect the identified needs of the charter schools to be served;**

**(2) The extent to which charter schools and chartering agencies were involved in the design of, and demonstrate support for, the project;**

**(3) The extent to which the technical assistance and other services to be provided by the proposed grant project involve the use of cost-effective strategies for increasing charter schools' access to facilities financing, including the reasonableness of fees and lending terms; and**

**(4) The extent to which the services to be provided by the proposed grant project are focused on assisting charter schools with a likelihood of success and the greatest demonstrated need for assistance under the program.**

#### **Strengths:**

(1) TCEP applicants are charter schools which have a high percentage of economically disadvantaged students, some of which are even defined as “alternative education” schools with students who are at-risk of not completing high

school level education. The program gives these schools access to capital that would otherwise not be available. This new reward would enable TCEP program to provide for a meet the needs of charter schools around the state. (page 21)

(2) The consortium agreement used for the 2005 application is still in place. This includes the Texas Public Finance Authority (TPFA), the Texas Education Agency (TEA), and the nonprofit Texas Charter School Association (TCSA) (formerly Resource Center for Charter schools). These parties give input to every charter school requesting a TCEP award. (page 21) TPFA staff have taken feedback giving applicants an opportunity to apply year round.

(3) TPFA is one of the largest issuers of public debt in the state managing over \$3 Billion in fixed rate obligations, and \$600 Million in commercial paper capacity. This expertise and the CSFC's role make TPFA a valuable resource to members of the charter school community wishing to issue bonds. The Texas Charter School Association provides numerous resources to charter schools and assists the consortium in the dissemination of information regarding the TCEP program.

(4) The current structure has charter schools negotiating directly with underwriters and private placement investors with most of the due diligence being performed prior to CSFC seeing the application. The TCEP application process and eligibility standards mirror Texas Education Agency oversight and performance grading of charter schools. TCEP program improves the liquidity positions of awardees by freeing restricted cash.

#### **Weaknesses:**

(4) Additional information pertaining to the applicants overall strategy and business model would have clarified how they focus on assisting charter schools with a likelihood of success.

**Reader's Score: 11**

#### **Selection Criteria - Capacity**

**1. In determining an applicant's business and organizational capacity to carry out the project, the Secretary considers--**

**(1) The amount and quality of experience of the applicant in carrying out the activities it proposes to undertake in its application, such as enhancing the credit on debt issuances, guaranteeing leases, and facilitating financing;**

**(2) The applicant's financial stability;**

**(3) The ability of the applicant to protect against unwarranted risk in its loan underwriting, portfolio monitoring, and financial management;**

**(4) The applicant's expertise in education to evaluate the likelihood of success of a charter school;**

**(5) The ability of the applicant to prevent conflicts of interest, including conflicts of interest by employees and members of the board of directors in a decision-making role;**

**(6) If the applicant has co-applicants (consortium members), partners, or other grant project participants, the specific resources to be contributed by each co-applicant (consortium member), partner, or other grant project participant to the implementation and success of the grant project;**

**(7) For State governmental entities, the extent to which steps have been or will be taken to ensure that charter schools within the State receive the funding needed to obtain adequate facilities; and**

**(8) For previous grantees under the charter school facilities programs, their performance in implementing these grants.**

**Strengths:**

(1)The Texas Public Finance Authority Charter School Finance Corporation (CSFC) started in 2005 with a \$10 million award used to create the Texas Credit Enhancement Program (TCEP) which operates under the purview of the CSFC. (page 24) Valuable experience has been gained by the staff who have developed and maintained working relationships with the U.S. Department of Education (the “Department”).

They have become proficient at marketing and working with stakeholders and networking. CSFC Board of Directors is comprised of several industry professionals, including Directors who have been involved in municipal finance, charter school administration, and public finance law.

(2)The entity applying for the grant is the Texas Public Finance Authority (TPFA). TPFA provides administrative and staff support for the CSFC who is responsible for awarding the credit enhancement allocation. The State of Texas holds the highest credit rating given by all three major credit rating agencies.

(3)There have been no draws on the TCEP credit enhancement fund since the original award in 2005. The TPFA staff is positioned to utilize the Texas Education Agency’s (TEA) data collected on each charter school or district. TEA administers several scoring programs which track performance, financial performance, as well as administrative efficiency of each charter school (and ISD) in the state. TPFA makes information recommendations to the Board of Directors for each applicant. (page 26) The procedures including due diligence are detailed in the application.

(4) Texas has twenty-four years of charter school operation. The consortium will require a charter school to satisfy several criteria before being considered eligible. The policy and procedure are documented in the applicant. TCEP program has not experienced any defaults or draws on the guarantee fund in the 15-year history.

(5)The application addresses the conflict of interest policy. The Authority has determined that it is in the best interest of the State that each Board member, employee, and Vendor avoid contact relating to the business of the Authority that could create the appearance of undue influence or conflict of interest. This allows for meaningful communication and information sharing among employees, Board members, vendors and other state offices to maintain transparency.

Additionally, the state legislature has a set policy that prohibits an employee from engaging in conduct that conflicts with the proper performance of his or her duties.

(6)TPFA is applying for a \$10 million award on behalf of a consortium which include TCSA and TEA. The structure has proven to be valuable and the division of duties are detailed in the application. (page 32-34)

(7) Texas recognizes that schools need access to capital markets which is why the Texas Bond Guarantee Program was established. The Permanent School Fund (PSF) has received “AAA” ratings from the major bond rating services which replaces the need for bond insurance. Schools issue bonds backed by the PSF benefit from lower borrowing rates and avoid the need for debt service coverage reserves that tie up valuable cash. At the end of fiscal year 2018 the PSF Bond Guarantee Program was guaranteeing over \$1.4 Billion in outstanding Charter School obligations. (page 34)

(8)TCEP has been developed into an efficient well-run program that serves the charter school community in Texas. They have served 20 charter schools, allocating \$10,527,596 in grant awards, leveraging \$145,020,000 in charter school facilities bond financing.

**Weaknesses:**

- (2)No information pertaining to regulatory audits or review of TPFA.
- (5)No copy of the actual Conflict of Interest policy included in exhibits.

**Reader's Score:      32**

**Selection Criteria - Quality of Project Personnel**

**1. In determining the quality of project personnel, the Secretary considers--**

**(1) The qualifications of project personnel, including relevant training and experience, of the project manager and other members of the project team, including consultants or subcontractors; and**

**(2) The staffing plan for the grant project.**

**Strengths:**

- 1) TPFA has a diverse and experienced work force along with Board of Directors made up of industry professionals.
- (2) The staffing plan doesn't include any new additions. All current staff are paid from the TPFA budget.

**Weaknesses:**

No weaknesses noted

**Reader's Score: 15**

**Priority Questions**

**Competitive Preference Priority - Competitive Preference Priority 1**

- 1. For FY 2019 and any subsequent year in which we make awards from the list of unfunded applications from this competition, this priority is a competitive preference priority. Under 34 CFR 75.105(c)(2)(i), we award up to an additional 15 points to an application, depending on how well the application addresses the priority.**

**This priority is:**

**The capacity of charter schools to offer public school choice in those communities with the greatest need for this choice based on--**

- (1) The extent to which the applicant would target services to geographic areas in which a large proportion or number of public schools have been identified for comprehensive support and improvement or targeted support and improvement under the ESEA, as amended by the Every Student Succeeds Act (up to 5 points);**

**Strengths:**

- (1) Texas Open Enrollment Charter Schools serve a student population of which 67.5% is economically disadvantaged. A large proportion or number of public schools have been identified for improvement, corrective action, or restructuring under Title I of the Elementary and Secondary Education Act of 1965. (page 18)

**Weaknesses:**

Application not specific as to what percentage is going to be allocated to this competitive preference priority. The application mentions the ability to collect information but not specific benchmarks are detailed. The language is broad and no detail is included in the document for the charter school selection process to determine how much funding will be allocated to this competitive preference priority.

**Reader's Score: 2**

## **Competitive Preference Priority - Competitive Preference Priority 2**

1. For FY 2019 and any subsequent year in which we make awards from the list of unfunded applications from this competition, this priority is a competitive preference priority. Under 34 CFR 75.105(c)(2)(i), we award up to an additional 15 points to an application, depending on how well the application addresses the priority.

**This priority is:**

**The capacity of charter schools to offer public school choice in those communities with the greatest need for this choice based on--**

**(2) The extent to which the applicant would target services to geographic areas in which a large proportion of students perform below proficient on State academic assessments (up to 5 points); and**

### **Strengths:**

(2) Metrics indicate 19% of charter school students exhibited limited English proficiency compared to 95 in ISD. A large proportion of students perform below proficient on the Texas Assessment of Knowledge and Skills. (page 19)

### **Weaknesses:**

Application not specific as to what percentage is going to be allocated to this competitive preference priority. The application mentions the ability to collect information but not specific benchmarks are detailed.

**Reader's Score: 2**

## **Competitive Preference Priority - Competitive Preference Priority 3**

1. For FY 2019 and any subsequent year in which we make awards from the list of unfunded applications from this competition, this priority is a competitive preference priority. Under 34 CFR 75.105(c)(2)(i), we award up to an additional 15 points to an application, depending on how well the application addresses the priority.

**This priority is:**

**The capacity of charter schools to offer public school choice in those communities with the greatest need for this choice based on--**

**(3) The extent to which the applicant would target services to communities with large proportions of students from low-income families (up to 5 points).**

### **Strengths:**

(3) Large proportion of students from low-income families. (page 19) TCEP reviewed application the CSFC received data that would allow to give preference to charter schools within this and the aforementioned categories.

### **Weaknesses:**

The percentage designated to this competitive preference priority is not sufficiently detailed in the application. The application mentions the ability to collect information but not specific benchmarks are detailed.

**Reader's Score: 2**



Status: Draft

Last Updated: 09/19/2019 12:50 PM

## Technical Review Coversheet

**Applicant:** Texas Public Finance Authority (S354A190010)

**Reader #3:** \*\*\*\*\*

	Points Possible	Points Scored
<b>Questions</b>		
<b>Selection Criteria</b>		
<b>Quality of project design and significance</b>		
1. Quality Project Design	35	29
<b>Quality of Project Services</b>		
1. Project Services	15	11
<b>Capacity</b>		
1. Capacity	35	33
<b>Quality of Project Personnel</b>		
1. Project Personnel	15	15
<b>Sub Total</b>	100	88
<b>Priority Questions</b>		
<b>Competitive Preference Priority</b>		
<b>Competitive Preference Priority 1</b>		
1. CPP1	5	1
<b>Competitive Preference Priority 2</b>		
1. CPP2	5	1
<b>Competitive Preference Priority 3</b>		
1. CPP3	5	1
<b>Sub Total</b>	15	3
<b>Total</b>	115	91



# Technical Review Form

**Panel #3 - FY19 Credit Enhancement Panel 3: 84.354A**

**Reader #3:** \*\*\*\*\*

**Applicant:** Texas Public Finance Authority (S354A190010)

## Questions

### Selection Criteria - Quality of project design and significance

#### 1. In determining the quality of project design and significance, the Secretary considers--

- (1) The extent to which the grant proposal would provide financing to charter schools at better rates and terms than they can receive absent assistance through the program;
- (2) The extent to which the project goals, objectives, and timeline are clearly specified, measurable, and appropriate for the purpose of the program;
- (3) The extent to which the project implementation plan and activities, including the partnerships established, are likely to achieve measurable objectives that further the purposes of the program;
- (4) The extent to which the project is likely to produce results that are replicable;
- (5) The extent to which the project will use appropriate criteria for selecting charter schools for assistance and for determining the type and amount of assistance to be given;
- (6) The extent to which the proposed activities will leverage private or public-sector funding and increase the number and variety of charter schools assisted in meeting their facilities needs more than would be accomplished absent the program;
- (7) The extent to which the project will serve charter schools in States with strong charter laws, consistent with the criteria for such laws in section 4303(g)(2) of the ESEA; and
- (8) The extent to which the requested grant amount and the project costs are reasonable in relation to the objectives, design, and potential significance of the project.

#### Strengths:

1. The applicant's planned use of the requested award would fund debt service coverage reserves for facility bonds that are not guaranteed by Texas Bond Guarantee program and that would produce a slight reduction in costs for schools that have to finance their facilities in that way.
2. The applicant's use of the CE could be replicated by other state agencies.
3. The applicant's program is operated by the Texas Public Finance Authority in close cooperation with the Texas Education Agency and the Texas Charter School Association, and its use of the CE would further program purposes by assisting some schools in obtaining more affordable facility financing.
4. Given the nature of the program, which provides a modest enhancement to schools that obtain un-guaranteed bond financing, the selection criteria are appropriate.
5. The applicant expects to obtain at least 11:1 leverage, which is consistent with the leverage rate that it has achieved on an earlier CE award which it used in the same way. (p9).
6. The applicant's activities would all serve Texas charter schools, and Texas has expanded educational choice through charters.
7. The applicant's requested award of \$10 million is reasonable in relation to the scale of the proposed plan and its objectives, design, and potential significance.

**Weaknesses:**

1. The applicant's program would provide benefits to the schools assisted, but those benefits are modest and would only be attractive to those Texas charter schools that are unable to finance their facilities through the state's bond guarantee program that offers much more attractive financing terms.
2. The applicant does not provide specific measurable goals or objectives which it expects to achieve.
3. While the applicant's approach could be replicated by other state agencies it is doubtful that it would be replicated because it offers only modest financing benefits to assisted schools and would not typically make sufficient difference to make un-guaranteed bonds affordable for schools that would otherwise find them too expensive.
4. The roles and responsibilities of each consortium member are described, but in general terms that do not clarify whether and to what extent the Texas Education Agency and the Texas Charter School Association would be involved in the operation of the program and how their expertise and knowledge would assist the applicant in making decisions about which schools to assist.
5. The applicant does not provide an adequate explanation of the reasons that schools would be unable to access the more attractive bond guarantee program and under what circumstances the much more modest benefits offered by the applicant's program would be attractive.
6. Demand for the defined assistance is limited, as demonstrated by the fact that the previous award that was made in 2006 was not fully deployed as of the date of the application, and the applicant expects that it will take four years to have sufficient projects to deploy the requested award (p10).
7. The applicant does not specifically address the extent to which Texas' charter laws are consistent with the criteria for strong laws established by ESEA.

**Reader's Score: 29**

**Selection Criteria - Quality of Project Services****1. In determining the quality of the project services, the Secretary considers--**

- (1) The extent to which the services to be provided by the project reflect the identified needs of the charter schools to be served;**
- (2) The extent to which charter schools and chartering agencies were involved in the design of, and demonstrate support for, the project;**
- (3) The extent to which the technical assistance and other services to be provided by the proposed grant project involve the use of cost-effective strategies for increasing charter schools' access to facilities financing, including the reasonableness of fees and lending terms; and**
- (4) The extent to which the services to be provided by the proposed grant project are focused on assisting charter schools with a likelihood of success and the greatest demonstrated need for assistance under the program.**

**Strengths:**

- The applicant's plan would allow assisted schools to reduce the cost of using non-guaranteed bond financing to finance their facilities.
- The applicant reports that the program was designed in close collaboration with the other members of the consortium, the state chartering agency and the state charter school association, and by virtue of their continuing participation in the program it is clear that they support the program and request.
- The applicant provides services in connection with its area of expertise, accessing bond financing, and consortium member, the Texas Charter School Association, provides a broader array of services and resources to Texas charter schools.
- The applicant reports that historically the recipients of assistance under the program have generally been

schools that serve a high percentage of economically disadvantaged students and tend to be small or medium size and less strong financially, which indicates that the program does reach some schools with the greatest demonstrated need.

**Weaknesses:**

1. The applicant does not provide much information about the services that it or its consortium partner the Texas Charter School Association provides to schools that might be assisted by the program.
2. From the description (p21-22) it does not seem that charter schools were significantly involved in the design of the program, though their association was involved and is part of the consortium that manages the program.
3. The applicant does not provide information about the cost to schools of its services and products, though it is likely that the applicant does not charge fees for its technical services and that the charge for its enhancement product, if any, is well below the value of the product to the assisted schools.
4. The main screening criteria for the program is schools that have or are getting a commitment for a non-guaranteed bond from an underwriter or private placement investor. Because of that, and the limited number of schools that meet that criteria, the applicant is largely dependent on the judgment of underwriters and investors and does not have the ability, or an independent process, to target the program to schools that it has determined have a likelihood of success or are in greatest need.

**Reader's Score:** 11

**Selection Criteria - Capacity**

1. In determining an applicant's business and organizational capacity to carry out the project, the Secretary considers--
  - (1) The amount and quality of experience of the applicant in carrying out the activities it proposes to undertake in its application, such as enhancing the credit on debt issuances, guaranteeing leases, and facilitating financing;
  - (2) The applicant's financial stability;
  - (3) The ability of the applicant to protect against unwarranted risk in its loan underwriting, portfolio monitoring, and financial management;
  - (4) The applicant's expertise in education to evaluate the likelihood of success of a charter school;
  - (5) The ability of the applicant to prevent conflicts of interest, including conflicts of interest by employees and members of the board of directors in a decision-making role;
  - (6) If the applicant has co-applicants (consortium members), partners, or other grant project participants, the specific resources to be contributed by each co-applicant (consortium member), partner, or other grant project participant to the implementation and success of the grant project;
  - (7) For State governmental entities, the extent to which steps have been or will be taken to ensure that charter schools within the State receive the funding needed to obtain adequate facilities; and
  - (8) For previous grantees under the charter school facilities programs, their performance in implementing these grants.

**Strengths:**

1. The applicant has been carrying out the proposed program for more than ten years and provides a variety of other services to charter schools and as a result has extensive experience in carrying out activities like those proposed.
2. The applicant is a governmental agency that has the full faith and credit of the state behind, and the state has an AAA rating, or the equivalent, from each of the rating agencies (p.25).
3. Because its existing programs for financing schools and its other financing activities the applicant has extensive experience and systems for risk management in loan underwriting, portfolio management and financial management.
4. The applicant and two consortium members have extensive expertise with education, charter schools, school facility finance and are well-positioned to assess schools' likelihood of success.
5. The applicant complies with strict state conflict of interest requirements and has taken steps beyond that to limit staff and board contact with vendors.
6. As a result of its role as an agency that assist schools in accessing capital the applicant has significant financing expertise and substantial experience with charter schools and education and it manages the program in close cooperation with the state education agency and the state charter school association.
7. The applicant provides an overview of what the state has done to foster charter schools and to ensure that they have funding for adequate facilities.
8. The applicant has received a previous CE award and has performed satisfactorily providing enhancements to 20 schools and leveraging more than \$145 million in bond proceeds.

**Weaknesses:**

1. Though the applicant's consortium has substantial expertise in education, it does not appear that the applicant draws on the chartering agency' or the charter school association for their education expertise in assessing schools for assistance (p. 32-34) and the structure of the program seems to have them largely depending on the assessment of independent underwriters or investors as to applicant's likelihood of success.
2. The applicant did not provide a financial statement.

**Reader's Score: 33**

**Selection Criteria - Quality of Project Personnel****1. In determining the quality of project personnel, the Secretary considers--**

**(1) The qualifications of project personnel, including relevant training and experience, of the project manager and other members of the project team, including consultants or subcontractors; and**

**(2) The staffing plan for the grant project.**

**Strengths:**

- The applicant's staff have managed the existing charter facility enhancement program, as well as playing a part in the broader charter, school and public financing activities of the applicant, and as a result of that experience, and their previous professional experience and training, they are well qualified to carry out the proposed activities.
- The applicant's staffing plan for the project seems reasonable as they propose to rely on existing, in-place, staff that has implemented the existing program which the requested award would renew.

**Weaknesses:**

No weaknesses noted.

**Reader's Score:** 15

**Priority Questions****Competitive Preference Priority - Competitive Preference Priority 1**

1. For FY 2019 and any subsequent year in which we make awards from the list of unfunded applications from this competition, this priority is a competitive preference priority. Under 34 CFR 75.105(c)(2)(i), we award up to an additional 15 points to an application, depending on how well the application addresses the priority.

**This priority is:**

The capacity of charter schools to offer public school choice in those communities with the greatest need for this choice based on--

(1) The extent to which the applicant would target services to geographic areas in which a large proportion or number of public schools have been identified for comprehensive support and improvement or targeted support and improvement under the ESEA, as amended by the Every Student Succeeds Act (up to 5 points);

**Strengths:**

- The applicant indicates that information about Priority 1 is included in its assessment of schools that might receive assistance under the program, and it indicates that it could give preference to schools that address Priority 1.

**Weaknesses:**

- The applicant does not make an explicit commitment to meeting Priority 1 with any of the assisted schools.

**Reader's Score:** 1

**Competitive Preference Priority - Competitive Preference Priority 2**

1. For FY 2019 and any subsequent year in which we make awards from the list of unfunded applications from this competition, this priority is a competitive preference priority. Under 34 CFR 75.105(c)(2)(i), we award up to an additional 15 points to an application, depending on how well the application addresses the priority.

**This priority is:**

The capacity of charter schools to offer public school choice in those communities with the greatest need for this choice based on--

(2) The extent to which the applicant would target services to geographic areas in which a large proportion of students perform below proficient on State academic assessments (up to 5 points); and

**Strengths:**

- The applicant indicates that information about Priority 2 is included in its assessment of schools that might receive assistance under the program, and it indicates that it could give preference to schools that address Priority 2.

**Weaknesses:**

- The applicant does not make an explicit commitment to meeting Priority 2 with any of the assisted schools.

**Reader's Score:** 1

**Competitive Preference Priority - Competitive Preference Priority 3**

1. For FY 2019 and any subsequent year in which we make awards from the list of unfunded applications from this competition, this priority is a competitive preference priority. Under 34 CFR 75.105(c)(2)(i), we award up to an additional 15 points to an application, depending on how well the application addresses the priority.

**This priority is:**

The capacity of charter schools to offer public school choice in those communities with the greatest need for this choice based on--

(3) The extent to which the applicant would target services to communities with large proportions of students from low-income families (up to 5 points).

**Strengths:**

- The applicant indicates that information about Priority 3 is included in its assessment of schools that might receive assistance under the program, and it indicates that it could give preference to schools that address Priority 3.

**Weaknesses:**

- The applicant does not make an explicit commitment to meeting Priority 3 with any of the assisted schools.

**Reader's Score:** 1

---

**Status:** Draft

**Last Updated:** 09/19/2019 12:50 PM