

**Responses to OMB Questions on the Credit Enhancement for Charter School
Facilities Performance Report**

1. This reporting package proposes to drop the half-year report. What type of monitoring would replace this report? Why is it believed that this monitoring would be more effective?

The benefit of the half-year report in the first year was to track whether a grantee that had inappropriately invested their grant funds had changed their investments as requested by ED staff. The other information in the half-year report was not as helpful as we had hoped it would be. Since that first year we have had grantees run their investments past us prior to making them to ensure that the investments are appropriate in the first place. Consequently, there is little value in collecting this information any longer and we believe that its use in the future does not pass a cost-benefit test. In addition, we believe that ED staff time would be better spent conducting site visits of grantees and schools served than by reviewing half-year reports.

2. Does ED plan to link the data collected through these performance reports to other data currently collected (from EDEN and elsewhere) on these charter schools? OMB is particularly interested in whether ED plans to link to student achievement and school demographic (see related question in #6) data?

A Policy and Program Studies Service contractor is in the process of producing a report that links data from the performance report to other databases, including the Common Core of Data, which includes demographic data. In future studies, we will be able to link into *EDFacts*, which should include student achievement data.

3. The supporting statement refers to a recommendation made by “grant readers and ED’s evaluation office” that grantees submit a summary page providing cursory quantitative information about the grantee’s performance. Did these groups have any other recommendations for changes to the current performance report?

Yes. An analyst in the Department’s evaluation office asked us to incorporate letters at the top of each column in the Excel spreadsheets that correspond to the letters you view when you see the spreadsheet on your computer screen and we accepted that comment. The same analyst asked us to not use the word “reconciliation” in the performance report because she thought the term was overly technical. We believe the term is commonly used among finance professionals and retained it in the report since the grantee project directors are finance professionals. The grantees did not object to the use of the term when we reviewed the form with them last spring and the Department uses the term in a similar data collection that Federal Student Aid administers for the Federal Family Education Loan program.

4. This reporting package proposes to request from grantees “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.” How will the information proposed to be collected be used to determine if the program is providing these better rates and returns?

We examine the interest rates reported against the risk levels of the loans, taking into account the size of the guarantee provided through the grant. When we believe that an interest rate is too high, we raise a question about why the grantee charged the charter school that particular interest rate. We have had some success in getting grantees to change the way they charge interest rates based on our conversations in the past.

5. Could additional items be added to the current performance report to measure the positive financial impact of the program on the charter schools via indicators of the financial health of the school?

We can't think of additional items that would be reasonable to for the grantees to produce and that would provide consistent and meaningful information in this area.

6. How will this reporting package allow ED to determine, on a continuing basis, if the program is fulfilling its mandate to serve charter schools/communities with the greatest need?

While there is no statutory mandate to serve communities with the greatest need for public school choice, we established a competitive priority to encourage applicants to develop proposals that accomplish this goal. We will be able to link to other data sets, such as *EDFacts*, that will provide these data.

7. Do the existing spreadsheets collect data on the questions listed below. If not, could items be added to collect this data?

- Would this school have been provided financing without credit enhancement (this question may only be appropriate for grantees providing the financing themselves)? If yes, estimate what spread over the comparable Treasury would have been offered?
- What percentage of the overall loan was credit enhanced? How is the credit enhancement being provided (what type of credit)?

We asked for input from grantees under the program about adding the information tied to the first bullet to the data collection. We also asked them for input on an idea generated by ED since we submitted the performance report for clearance. ED's idea was to include an additional item on fees asking for the total amount of fees charged to charter

schools tied to the financing by entities other than the grantees themselves. The grantees suggested that we would have serious data problems with incorporating these new suggestions into the performance report.

Regarding the first bullet, the grantees would be inclined to answer no, but would have no way of knowing unless they forced charter schools to contact other lenders prior to providing them with services. The interest rate spreads are market and time sensitive, would be difficult for the grantees to estimate accurately, and the data would be unreliable. In addition, the terms of a financing can be even more important than the rates, particularly when financing real estate costs that borrowers typically want to spread out over 30 years. Even if we could accurately capture hypothetical spreads, they wouldn't necessarily reveal the full benefit of the credit enhancement.

The grantees also indicated that there are problems with us requiring them to report data on fees charged by third parties to charter schools (an idea generated by ED since we submitted the package for clearance). Grantees often do not have these data, and they would have to ask about a myriad of fees to obtain the data. We do not believe it is worthwhile to collect these data and do not wish to amend the report to add this question.

Regarding the second bullet in OMB's question, items "P," "Q," and "R" in the "Newly financed schools" spreadsheet should provide sufficient information to answer the question. Regarding the second question, we believe that item "G" currently addresses the concern.

8. ED proposes to delete the "declined schools" spreadsheet and the "waitlisted schools" spreadsheet. What was the rationale for collecting this information in the first place?

The previous performance report was the first that ED used to collect data on this new program. Some of the data we requested was not as useful as we originally hoped it would be.

Declined schools. We originally wanted to collect the data on declined schools because we wanted to examine the types of schools that were being turned down for services under the program. However, the grantees advise charter schools that are unlikely to be approved to not apply for financing. In addition, charter schools that are close to being sufficiently credit worthy are placed in a "pipeline" until their financial conditions improves and are not considered to be "declined" by lenders under the program.

Waitlisted schools. We originally wanted to collect these data because the program, which was formerly known as the Charter School Facility Financing Demonstration Grant program, was originally created in 2000 as a one-year program with \$25 million in funding. We thought there would be considerable unmet demand for credit enhancement as a result.

9. How has ED been collecting this information prior to reinstatement of this ICR?

We have not collected information since the package expired late last year. We collect the annual reports in the fall, so the temporary expiration of the collection did not disrupt the data collection.

10. Even though this ICR is a reinstatement, it seems that only the incremental increased burden should be reported as new (rather than reporting all burden as new). Can ED look up what the “previously approved” burden was and then calculate what the increase is from that?

Previously 151 hours was approved for this ICR before it was discontinued on Dec. 31, 2006. Subtracting 151 from the currently requested 575 burden hours results in a 424 hour burden increase. However, Rocis requires all the burden for a reinstatement ICR to be submitted as new burden, since Rocis's memory shows the existing burden inventory as 0.

11. The supporting statement says that ED will seek public comment. Does that mean ED did not seek comment for this ICR yet? If ED did seek comment, were any comments received?

Yes, ED sought, but did not receive, public comment. Please note that Rocis would not allow us to submit this IC for OMB review until we included the published information for both the 60 and 30-day FR Notices, which was April 16 and June 21.