

July 25, 2013

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

1. Explain the circumstances that make the collection of information necessary. Identify any legal or administrative requirements that necessitate the collection. Attach a copy of the appropriate section of each statute and regulation mandating or authorizing the collection of information.

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, to have a statutory mandate for an annual report (respectively, Section 5227 and Section 10227). This reporting is a requirement in order to obtain or retain benefits according to section 5527 part b of the Elementary and Secondary Education Act of 1965.

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, (2) an approximate number of how many additional schools it can serve within 12 months, and (3) indicate the amount of grant funds available, including the amount of grant funds that are anticipated to be recycled within the next 12 months. 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 budget report including actual and projected expenditures. In addition, the report must include a brief narrative describing the uses of the actual expenditures;

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

E. An IRS Form 990 (due 30 days after filing);

F. 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);

G. The EXCEL spreadsheet. The EXCEL spreadsheet includes the Newly, Previously, and Leases workbook, the Budget workbook, and the Reconciliation workbook;

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.

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 spreadsheet into three workbooks: 1) Newly, Previously, and Leases; 2) Budget; and 3) Reconciliation. Each section is explained below. The information obtained in these annual reports would be used to monitor grantee performance.

- 1) Newly, Previously, and Leases: 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. Finally, while grantees 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.
- 2) 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.
- 3) 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 workbook 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.

Proposed Changes:

This is the third time the US Department of Education (ED) has changed the performance report for the Credit Enhancement for Charter School Facilities Grants program. ED is proposing to make one change to maximize the utility of the data collection.

- ED proposes to add four columns to the Excel under the Newly, Previously, and Leases workbook. These columns would collect student achievement data, based on prior year's data, for Math and Reading, at the school level and at the State level. This information would not increase the burden of this report because the grantees collect student achievement data in their underwriting procedures and annually as part of their monitoring process. In addition to adding the columns, ED added instructions for completing these four columns in the "Reporting Instructions for the Charter Schools Facilities Demonstration Grants and Credit Enhancement for Charter school Facilities Grants."

2. Indicate how, by whom, and for what purpose the information is to be used. Except for a new collection, indicate the actual use the agency has made of the information received from the current collection.

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 (1855-007) since past performance is a factor under the selection criteria for previous grant recipients.

3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or forms of information technology, e.g. permitting electronic submission of responses, and the basis for the decision of adopting this means of collection. Also describe any consideration given to using technology to reduce burden.

The Department plans to accept electronically submitted performance reports in Word and Excel.

4. Describe efforts to identify duplication. Show specifically why any similar information already available cannot be used or modified for use for the purposes described in Item 2 above.

The annual performance report is intended to serve a specific authorized purpose and is in keeping with statutory requirements. Without this data collection, the statutory requirement cannot be met.

The information supplied by the grantees is unique to this program and the particular grantee. Each grantee is required to submit an annual performance report that details its activities under the Credit Enhancement for Charter School Facilities Grants Program.

The information collected in the annual performance report is not collected by other data collections or sources.

5. If the collection of information impacts small businesses or other small entities (Item 8b of IC Data Part 2), describe any methods used to minimize burden.

Small businesses are not impacted by this data collection.

6. Describe the consequences to Federal program or policy activities if the collection is not conducted or is conducted less frequently, as well as any technical or legal obstacles to reducing burden.

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. Explain any special circumstances that would cause an information collection to be conducted in a manner:

- **requiring respondents to report information to the agency more often than quarterly;**
- **requiring respondents to prepare a written response to a collection of information in fewer than 30 days after receipt of it;**
- **requiring respondents to submit more than an original and two copies of any document;**
- **requiring respondents to retain records, other than health, medical, government contract, grant-in-aid, or tax records for more than three years;**
- **in connection with a statistical survey, that is not designed to produce valid and reliable results than can be generalized to the universe of study;**
- **requiring the use of a statistical data classification that has not been reviewed and approved by OMB;**
- **that includes a pledge of confidentiality that is not supported by authority established in statute or regulation, that is not supported by disclosure and data security policies that are consistent with the pledge, or that unnecessarily impedes sharing of data with other agencies for compatible confidential use; or**

- **requiring respondents to submit proprietary trade secrets, or other confidential information unless the agency can demonstrate that it has instituted procedures to protect the information's confidentiality to the extent permitted by law.**

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. If applicable, provide a copy and identify the date and page number of publication in the Federal Register of the agency's notice, required by 5 CFR 1320.8(d), soliciting comments on the information collection prior to submission to OMB. Summarize public comments received in response to that notice and describe actions taken by the agency in response to these comments. Specifically address comments received on cost and hour burden.**

Describe efforts to consult with persons outside the agency to obtain their views on the availability of data, frequency of collection, the clarity of instruction and record keeping, disclosure, or reporting format (if any), and on the data elements to be recorded, disclosed, or reported.

Consultation with representatives of those from whom information is to be obtained or those who must compile records should occur at least once every 3 years – even if the collection of information activity is the same as in prior periods. There may be circumstances that may preclude consultation in a specific situation. These circumstances should be explained.

The Department held a meeting with grantees to discuss changes to the annual performance report in 2012. The Department asked for feedback on the current report and provided an opportunity for grantees to recommend additional changes. The grantees did not have recommendations or feedback. Also, a 60-and-30-day Federal Register Notice seeking public comments were published in the Federal Register.

- 9. Explain any decision to provide any payment or gift to respondents, other than remuneration of contractors or grantees.**

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

- 10. Describe any assurance of confidentiality provided to respondents and the basis for the assurance in statute, regulation, or agency policy.**

No assurance of confidentiality is provided.

11. Provide additional justification for any questions of a sensitive nature, such as sexual behavior and attitudes, religious beliefs, and other matters that are commonly considered private. The justification should include the reasons why the agency considers the questions necessary, the specific uses to be made of the information, the explanation to be given to persons from whom the information is requested, and any steps to be taken to obtain their consent.

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

12. Provide estimates of the hour burden of the collection of information. The statement should:

- **Indicate the number of respondents, frequency of response, annual hour burden, and an explanation of how the burden was estimated. Unless directed to do so, agencies should not conduct special surveys to obtain information on which to base hour burden estimates. Consultation with a sample (fewer than 10) of potential respondents is desirable. If the hour burden on respondents is expected to vary widely because of differences in activity, size, or complexity, show the range of estimated hour burden, and explain the reasons for the variance. Generally, estimates should not include burden hours for customary and usual business practices.**
- **If this request for approval covers more than one form, provide separate hour burden estimates for each form and aggregate the hour burdens in item 16 of IC Data Part 1.**
- **Provide estimates of annualized cost to respondents of the hour burdens for collections of information, identifying and using appropriate wage rate categories. The cost of contracting out or paying outside parties for information collection activities should not be included here. Instead, this cost should be included in Item 14.**

We estimate respondent cost at an average of \$30 per hour so that the average cost per annual report would be $\$30 \times 25 \text{ hours} = \750 .

We expect that a total of 34 annual reports will be received from grantees. Total estimated cost: \$25,500.

Estimated data burden for grants:

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

25 hours x 34 grants = 850 hours

Total Burden for Grants = 850 hours

13. Provide an estimate of the total annual cost burden to respondents or record keepers resulting from the collection of information. (Do not include the cost of any hour burden shown in Items 12 and 14.)

- **The cost estimate should be split into two components: (a) a total capital and start-up cost component (annualized over its expected useful life); and (b) a total operation and maintenance and purchase of services component. The estimates should take into account costs associated with generating, maintaining, and disclosing or providing the information. Include descriptions of methods used to estimate major cost factors including system and technology acquisition, expected useful life of capital equipment, the discount rate(s), and the time period over which costs will be incurred. Capital and start-up costs include, among other items, preparations for collecting information such as purchasing computers and software; monitoring, sampling, drilling and testing equipment; and acquiring and maintaining record storage facilities.**
- **If cost estimates are expected to vary widely, agencies should present ranges of cost burdens and explain the reasons for the variance. The cost of contracting out information collection services should be a part of this cost burden estimate. In developing cost burden estimates, agencies may consult with a sample of respondents (fewer than 10), utilize the 60-day pre-OMB submission public comment process and use existing economic or regulatory impact analysis associated with the rulemaking containing the information collection, as appropriate.**
- **Generally, estimates should not include purchases of equipment or services, or portions thereof, made: (1) prior to October 1, 1995, (2) to achieve regulatory compliance with requirements not associated with the information collection, (3) for reasons other than to provide information or keep records for the government, or (4) as part of customary and usual business or private practices.**

Total Annualized Capital/Startup Cost : \$.00

Total Annual Costs (O&M) : .00

Total Annualized Costs Requested : \$.00

There are no startup costs to respondents.

14. Provide estimates of annualized cost to the Federal government. Also, provide a description of the method used to estimate cost, which should include

quantification of hours, operational expenses (such as equipment, overhead, printing, and support staff), and any other expense that would not have been incurred without this collection of information. Agencies also may aggregate cost estimates from Items 12, 13, and 14 in a single table.

Estimated annualized Federal cost:

The salary of the staff that will be conducting the reviews is higher than previously reported and therefore the estimated annualized Federal cost has increased. Currently, the Department has one employee working on this program so this change is reflected in the below calculation.

Program Personnel:

1 person @ \$39.46 hr. x 600 hours = \$23,640

15. Explain the reasons for any program changes or adjustments to #16f of the IC Data Part 1 Form.

There is an adjustment increase of +100 hours, OII considers this an adjustment due to the increase in the number of grantees from 30 to 34.

16. For collections of information whose results will be published, outline plans for tabulation and publication. Address any complex analytical techniques that will be used. Provide the time schedule for the entire project, including beginning and ending dates of the collection of information, completion of report, publication dates, and other actions.

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

17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons that display would be inappropriate.

The expiration date will be displayed on the information collection.

18. Explain each exception to the certification statement identified in the Certification of Paperwork Reduction Act.

There is no exception to the certifications.

B. Statistical Methodology

This collection does not employ statistical methodology.