

**ESEA 2001 excerpt – Credit Enhancement to Assist Charter School
Facility Acquisition, Construction and Renovation**

“(3)(A) 50 percent of any funds in excess of \$300,000,000 to carry out this subpart, other than section 5205(b); and

“(B) 50 percent of any funds in excess of \$300,000,000 to carry out section 5205(b).

“Subpart 2—Credit Enhancement Initiatives To Assist Charter School Facility Acquisition, Construction, and Renovation

“SEC. 5221. PURPOSE.

“The purpose of this subpart is to provide grants to eligible entities to permit the eligible entities to demonstrate innovative credit enhancement initiatives that assist charter schools to address the cost of acquiring, constructing, and renovating facilities.

“SEC. 5222. GRANTS TO ELIGIBLE ENTITIES.

“(a) GRANTS.—The Secretary shall use 100 percent of the amount available to carry out this subpart to award not less than three grants to eligible entities that have applications approved under this subpart to demonstrate innovative methods of assisting charter schools to address the cost of acquiring, constructing, and renovating facilities by enhancing the availability of loans or bond financing.

“(b) GRANTEE SELECTION.—

“(1) EVALUATION OF APPLICATION.—The Secretary shall evaluate each application submitted under section 5223, and shall determine whether the application is sufficient to merit approval.

“(2) DISTRIBUTION OF GRANTS.—The Secretary shall award at least one grant to an eligible entity described in section 5230(2)(A), at least one grant to an eligible entity described in section 5230(2)(B), and at least one grant to an eligible entity described in section 5230(2)(C), if applications are submitted that permit the Secretary to do so without approving an application that is not of sufficient quality to merit approval.

“(c) GRANT CHARACTERISTICS.—Grants under this subpart shall be of a sufficient size, scope, and quality so as to ensure an effective demonstration of an innovative means of enhancing credit for the financing of charter school acquisition, construction, or renovation.

“(d) SPECIAL RULE.—In the event the Secretary determines that the funds made available under this subpart are insufficient to permit the Secretary to award not less than three grants in accordance with subsections (a) through (c), such three-grant minimum and subsection (b)(2) shall not apply, and the Secretary may determine the appropriate number of grants to be awarded in accordance with subsection (c).

“SEC. 5223. APPLICATIONS.

“(a) IN GENERAL.—To receive a grant under this subpart, an eligible entity shall submit to the Secretary an application in such form as the Secretary may reasonably require.

“(b) CONTENTS.—An application submitted under subsection (a) shall contain—

“(1) a statement identifying the activities proposed to be undertaken with funds received under this subpart, including how the eligible entity will determine which charter schools

will receive assistance, and how much and what types of assistance charter schools will receive;

“(2) a description of the involvement of charter schools in the application’s development and the design of the proposed activities;

“(3) a description of the eligible entity’s expertise in capital market financing;

“(4) a description of how the proposed activities will leverage the maximum amount of private-sector financing capital relative to the amount of government funding used and otherwise enhance credit available to charter schools;

“(5) a description of how the eligible entity possesses sufficient expertise in education to evaluate the likelihood of success of a charter school program for which facilities financing is sought;

“(6) in the case of an application submitted by a State governmental entity, a description of the actions that the entity has taken, or will take, to ensure that charter schools within the State receive the funding the charter schools need to have adequate facilities; and

“(7) such other information as the Secretary may reasonably require.

“SEC. 5224. CHARTER SCHOOL OBJECTIVES.

“An eligible entity receiving a grant under this subpart shall use the funds deposited in the reserve account established under section 5225(a) to assist one or more charter schools to access private sector capital to accomplish one or both of the following objectives:

“(1) The acquisition (by purchase, lease, donation, or otherwise) of an interest (including an interest held by a third party for the benefit of a charter school) in improved or unimproved real property that is necessary to commence or continue the operation of a charter school.

“(2) The construction of new facilities, or the renovation, repair, or alteration of existing facilities, necessary to commence or continue the operation of a charter school.

“SEC. 5225. RESERVE ACCOUNT.

“(a) USE OF FUNDS.—To assist charter schools to accomplish the objectives described in section 5224, an eligible entity receiving a grant under this subpart shall, in accordance with State and local law, directly or indirectly, alone or in collaboration with others, deposit the funds received under this subpart (other than funds used for administrative costs in accordance with section 5226) in a reserve account established and maintained by the eligible entity for this purpose. Amounts deposited in such account shall be used by the eligible entity for one or more of the following purposes:

“(1) Guaranteeing, insuring, and reinsuring bonds, notes, evidences of debt, loans, and interests therein, the proceeds of which are used for an objective described in section 5224.

“(2) Guaranteeing and insuring leases of personal and real property for an objective described in section 5224.

“(3) Facilitating financing by identifying potential lending sources, encouraging private lending, and other similar activities that directly promote lending to, or for the benefit of, charter schools.

“(4) Facilitating the issuance of bonds by charter schools, or by other public entities for the benefit of charter schools, by providing technical, administrative, and other appropriate assistance (including the recruitment of bond counsel, underwriters, and potential investors and the consolidation of multiple charter school projects within a single bond issue).

“(b) INVESTMENT.—Funds received under this subpart and deposited in the reserve account established under subsection (a) shall be invested in obligations issued or guaranteed by the United States or a State, or in other similarly low-risk securities.

“(c) REINVESTMENT OF EARNINGS.—Any earnings on funds received under this subpart shall be deposited in the reserve account established under subsection (a) and used in accordance with such subsection.

“SEC. 5226. LIMITATION ON ADMINISTRATIVE COSTS.

“An eligible entity may use not more than 0.25 percent of the funds received under this subpart for the administrative costs of carrying out its responsibilities under this subpart.

“SEC. 5227. AUDITS AND REPORTS.

“(a) FINANCIAL RECORD MAINTENANCE AND AUDIT.—The financial records of each eligible entity receiving a grant under this subpart shall be maintained in accordance with generally accepted accounting principles and shall be subject to an annual audit by an independent public accountant.

“(b) REPORTS.—

“(1) GRANTEE ANNUAL REPORTS.—Each eligible entity receiving a grant under this subpart annually shall submit to the Secretary a report of its operations and activities under this subpart.

“(2) CONTENTS.—Each annual report submitted under paragraph (1) shall include—

“(A) a copy of the most recent financial statements, and any accompanying opinion on such statements, prepared by the independent public accountant reviewing the financial records of the eligible entity;

“(B) a copy of any report made on an audit of the financial records of the eligible entity that was conducted under subsection (a) during the reporting period;

“(C) an evaluation by the eligible entity of the effectiveness of its use of the Federal funds provided under this subpart in leveraging private funds;

“(D) a listing and description of the charter schools served during the reporting period;

“(E) a description of the activities carried out by the eligible entity to assist charter schools in meeting the objectives set forth in section 5224; and

“(F) a description of the characteristics of lenders and other financial institutions participating in the activities undertaken by the eligible entity under this subpart during the reporting period.

“(3) SECRETARIAL REPORT.—The Secretary shall review the reports submitted under paragraph (1) and shall provide a comprehensive annual report to Congress on the activities conducted under this subpart.

“SEC. 5228. NO FULL FAITH AND CREDIT FOR GRANTEE OBLIGATIONS.

“No financial obligation of an eligible entity entered into pursuant to this subpart (such as an obligation under a guarantee, bond, note, evidence of debt, or loan) shall be an obligation of, or guaranteed in any respect by, the United States. The full faith and credit of the United States is not pledged to the payment of funds which may be required to be paid under any obligation made by an eligible entity pursuant to any provision of this subpart.

“SEC. 5229. RECOVERY OF FUNDS.

“(a) **IN GENERAL.**—The Secretary, in accordance with chapter 37 of title 31, United States Code, shall collect—

“(1) all of the funds in a reserve account established by an eligible entity under section 5225(a) if the Secretary determines, not earlier than 2 years after the date on which the eligible entity first received funds under this subpart, that the eligible entity has failed to make substantial progress in carrying out the purposes described in section 5225(a); or

“(2) all or a portion of the funds in a reserve account established by an eligible entity under section 5225(a) if the Secretary determines that the eligible entity has permanently ceased to use all or a portion of the funds in such account to accomplish any purpose described in section 5225(a).

“(b) **EXERCISE OF AUTHORITY.**—The Secretary shall not exercise the authority provided in subsection (a) to collect from any eligible entity any funds that are being properly used to achieve one or more of the purposes described in section 5225(a).

“(c) **PROCEDURES.**—The provisions of sections 451, 452, and 458 of the General Education Provisions Act shall apply to the recovery of funds under subsection (a).

“(d) **CONSTRUCTION.**—This section shall not be construed to impair or affect the authority of the Secretary to recover funds under part D of the General Education Provisions Act.

“SEC. 5230. DEFINITIONS.

“In this subpart:

“(1) **CHARTER SCHOOL.**—The term ‘charter school’ has the meaning given such term in section 5210.

“(2) **ELIGIBLE ENTITY.**—The term ‘eligible entity’ means—

“(A) a public entity, such as a State or local governmental entity;

“(B) a private nonprofit entity; or

“(C) a consortium of entities described in subparagraphs (A) and (B).

“SEC. 5231. AUTHORIZATION OF APPROPRIATIONS.

“For the purpose of carrying out this subpart, there are authorized to be appropriated \$150,000,000 for fiscal year 2002 and such sums as may be necessary for fiscal year 2003.

“Subpart 3—Voluntary Public School Choice Programs

“SEC. 5241. GRANTS.

“(a) **AUTHORIZATION.**—From funds made available under section 5248 to carry out this subpart, the Secretary shall award grants, on a competitive basis, to eligible entities to enable the entities