



**CALIFORNIA SCHOOL FINANCE AUTHORITY
901 P STREET, THIRD FLOOR, SUITE B
SACRAMENTO, CA 95814**

**Title 4, Division 15, Article 1.6,
CALIFORNIA CODE OF REGULATIONS
Charter School Revolving Loan Fund Program**

FINDING OF EMERGENCY

INTRODUCTION

Education Code Section 41365(h) states, "The California School Finance Authority may adopt any necessary rules and regulations for the implementation of this section and Sections 41366.6 and 41367. Any regulations adopted pursuant to this section may be adopted as emergency regulations in accordance with the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code). The adoption of these regulations shall be deemed to be an emergency and necessary for the immediate preservation of the public peace, health and safety, or general welfare. " The Authority requires the changes to take effect through the emergency rulemaking process due to the passage of Senate Bill (SB) 631 and its January 1, 2026 effective date.

As stated in Government Code section 11346.1(a)(2) and required through California Code of Regulations, Title 1, Section 48, the Authority is providing notice of the proposed emergency action to every person who has filed a request for notice of regulatory action with the agency. The posting shall be publicly available for at least five working days prior to submission of the proposed emergency action to the Office of Administrative Law.

After submission of the proposed emergency to the Office of Administrative Law, the Office of Administrative Law shall allow interested persons five calendar days to submit comments on the proposed emergency regulations as set forth in Government Code section 11349.6.

Authority and Reference

Authority: Section 47614.5 of the Education Code. Section 47614.5(m) allows the Authority to adopt regulations in order to administer the Program; and Section 41365(h) of the Education Code as described above.

Reference: Section 47614.5 of the Education Code, Section 47600, et seq., of the Education Code, Section 47605 of the Education Code, and Section 47612.5 of the Education Code. The Regulations include a number of the requirements of the Program contained in Section 47614.5. They also rely on specific provisions within the Charter Schools Act of 1992, commencing with Section 47600 of the Education Code. Section 41365(h) of the Education Code as described above.

Informative Digest

The California School Finance Authority (CSFA or Authority) was created in 1985 to assist school districts and community college districts in financing school construction projects (Education Code Section 17170, et seq.). The Authority is authorized to adopt bylaws for the regulation and conduct of its business, and is vested with all powers reasonably



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necessary to carry out its powers and responsibilities (Education Code Sections 17179 and 17180).

Pursuant to Education Code, Section 41365, the State Legislature directed the California School Finance Authority (Authority) to commence administration of the Charter School Revolving Loan Fund Program (Program) with the 2013-14 fiscal year and to adopt regulations to implement the statute. The Program provides for loan funds of up to \$250,000 to new charter schools. These loans are intended to assist new Charter Schools in meeting their short-term cash flow needs when State revenues based on student attendance are not sufficient to cover operating expenses and start-up costs associated with opening a new school.

Pursuant to Education Code, Section 41365(h), on January 8, 2014, the Authority approved the emergency regulations that became effective on February 3, 2014, for a period of 180 days (expiration date of August 5, 2014). On July 11, 2014, the Authority approved permanent regulations that became effective on March 10, 2015. The Authority approved amended permanent regulations on August 10, 2016, which became effective on December 1, 2016. The Authority then approved emergency regulations, approved by OAL on April 20, 2020, that became permanent on December 30, 2020; the proposed amended emergency regulations are intended to amend the latter.

Due to the passage of SB 631, Chapter 776, in which amended Sections 41365, 41366.5, and 41366.6 of the Education Code, approved by Governor on October 13, 2025, filed with Secretary of State on October 13, 2025, and will become effective January 1, 2026, the Authority is requesting the approval of the proposed emergency regulations.

Authority staff have identified the recommended emergency amendments to the permanent regulations. The proposed emergency amended regulations for the Program are intended to address the following: a significant shift in the legal and Program requirements pertaining to funding, eligibility, interest rate calculations, and additional reporting criteria, specifically addressing: the increase the maximum loan amount and the maximum lifetime loan limitation by \$250,000 to instead be \$500,000, would revise and recast the maximum repayment period of a loan, no longer make the charter school solely liable for repayment of a loan in the event of a default, revise criteria for receiving priority in the granting of loans, require money in the fund to instead be loaned at the interest rate described above or at a rate equal to 50% of the interest rate paid by the state on the most recent sale of state general obligation bonds, whichever is less, except that the it would prohibit the interest rate from being set at a rate lower than 3%, and requires the California School Finance Authority, by October 1 of each year, to provide detailed fund condition information for the Charter School Revolving Loan Fund and the Charter School Security Fund to the Department of Finance and the Legislative Analyst's Office and would require the report due by October 1, 2029, to additionally include an analysis and summary of the expenditures of loan funds made by the charter school loan recipient for loans issued on or after July 1, 2026, (2) the need to ensure regulations are consistent with current Program practices; and (3) the need to further clarify language and internal consistency within the regulations. It is noteworthy that, that due to the changes in the Program statute, the Authority is anticipating an increase in applicants and in applications due to the increase in loan amounts, and the removal of the charter renewal exemption.



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The Authority is requesting approval of these revisions to ensure state compliance, timely disbursements, and the ability to properly and effectively administer the Program. Furthermore, emergency approval of the regulation changes is necessary to implement the funding round projected in Spring 2026.

On December 11, 2025, the Authority's Board of Directors approved the emergency amendments so that these revisions may become part of the permanent regulations upon the Office of Administrative Law's approval. The details and justification for these amendments are outlined below:

- **Section 10170.17. Definitions.**

- (a) – Updated definition of “Affiliated Entity” to better match current statute language.
- (b) - Updated definition of “Applicant” to better work with changes to Subsection (a).
- New (i) – Added definition of “Disaster Affected Charter School” to assist with new priority categories. – All subsequent subsections re-lettered to reflect addition.
- (l) [Formerly (k)] - Updated definition of “Incorporated Charter School” to better work with changes to Subsection (o) [Formerly (n)].
- (o) [Formerly (n)] - Updated definition of “Nonprofit Entity” to better match current requirements for California charter schools.
- (p) [Formerly (o)] - Updated definition of “Pooled Money Investment Account” to introduce the acronym PIMA.

- **Section 10170.18. Eligible Applicant.**

- (a) – Last portion removed as a redundant definition reference.
- [Formerly] (b) – Fully removed due to updated definition.
- (b) [Formerly (c)] – Updated language to specify requirement for established applicants.
- (c) [Formerly (d)] – Reworded for clarity.
- (e) - Fully removed due to updated definition.
- (d) [Formerly (f)] – Re-lettering subsection.
- (g) - Fully removed due to statute change related to SB 631.
- (e) [Formerly (f)] – Reword to clarify ability to make determinations related to Legal Status Questionnaire disclosures.



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- (f) [Formerly (i)] – Reworded for clarity.
- (g) [Formerly (j)] - Reworded for clarity and due to updated definitions.
- (h) [Formerly (k)] – Updated to specify period of Good Standing (GS) request and updated to establish flexibility related to district communication and reworded for clarity and due to updated definitions.
- (h)(1) [Formerly (k)(1)] - Reworded for clarity and due to updated definitions.
- (h)(2) [Formerly (k)(2)] - Reworded for clarity and due to updated definitions.
- (i) [Formerly (l)] – Re-lettering subsection.
- **Section 10170.19. Application Content and Submission.**
 - (a) - Added to specify two Application periods and timelines for general funding information.
 - New (b) [Formerly portion of (a)] – Created to provide specific timeframes for Application periods
 - New (c) [Formerly (b)] – Limited submission to the Application periods
 - New (d) [Formerly (c)] – Re-lettering subsection
 - New (d)(1) [Formerly (c)(1)] - Reworded for clarity and due to updated definitions.
 - New (d)(5) [Formerly (c)(5)] - Reworded for clarity and due to updated definitions.
 - New (d)(8) [Formerly (c)(8)] - Reworded for clarity and due to updated definitions and also includes requirement for prospective site information.
 - New (d)(9)-(14) [Formerly (c)(9)-(14)] - Reworded for clarity and/or due to updated definitions.
 - New (d)(16) – Establishes Application related documents required for Disaster Affected Charter Schools.
 - Formerly (d) – Removed as determined to not be in the proper section. GS is an eligibility related requirement performed by the Authority and Chartering Authority. This does **not** remove or affect any GS requirements in Section 10170.18 above.
 - (e) - Reworded due to updated definitions.
- **Section 10170.20. Application Review and Evaluation/Underwriting Criteria.**
 - (b)(1) - Reworded for clarity
 - (b)(2) - Reworded for clarity



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- (c) – Reword for SB 631 related updates to priority and for clarity.
- New (c)(1) [Formerly part of (c)] - Separated for clarity
- New (c)(2) – Establishes Disaster Affected Charter Schools as second priority as well as adding the SB 631 timeline.
- New (c)(3) [Formerly (c)(2)] – Establishes schools that do not fit into the first two priority but are still in their 1st petition as third priority until July 1, 2029.
- New (c)(4) [Formerly (c)(3)] – Reworded to establish any school out of the three fact patterns does not have a priority.
- (d)(1) - Reworded due to updated definitions and re-lettering.
- New (d)(2) [Formerly part of (d)(1)] – Separated and reworded to reference Subsection (c)(2). Reworded due to updated definitions and re-lettering.
- New (d)(3) – Added to break ties between schools lacking any priority.
- **Section 10170.21. Loan Amount and Repayment Terms.**
 - (a) – Updated to add SB 631 interest rate changes included new rate floor.
 - (b) – Added to establish loan term determination to match petition terms outside of Disaster Affected Charter Schools.
 - (c) - Reworded for clarity.
 - New (c)(1) [Formerly (c)] - Separated for clarity
 - New (c)(2) – Added to establish alternative start terms for Disaster Affected Charter Schools.
 - (d) – Added for flexibility in payments within fiscal year.
 - (e) – Added to establish alternative loan term maximum for Disaster Affected Charter Schools.
- **Section 10170.22. Loan Agreements.**
 - (b) - Reworded for clarity.
 - (c)(4) - Reworded for clarity.
 - (c)(5) - Reworded for clarity.
 - (c)(7) - Reworded for clarity.
 - (c)(8) - Reworded for clarity.
 - (e)(2) - Reworded for clarity.
 - (g) - Reworded due to updated definitions and for clarity.
 - (h) - Reworded due to updated definitions and for clarity.



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- **Section 10170.23. Internal Controls, Audits and Conflicts of Interest.**
 - (c) - Reworded for clarity.
 - New (d) – Added to establish the Authority’s right to check eligibility related to GS at any point in the loan term.
 - New (e) – Added reporting requirements established in SB 631.

Mandate on Local Agencies or School Districts

The Executive Director of the Authority has determined that these amendments to the emergency readopt regulations do not impose any additional mandate on local agencies or school districts for a new program or higher level of service of an existing program.

Cost Estimate

The Executive Director of the Authority has determined these emergency regulations will involve no costs or savings to any state agency, no nondiscretionary costs or savings to local agencies or school districts, no reimbursable cost to local agencies or school districts under Section 17500 of the Government Code, and no costs or savings in federal funding to the State.