

FINDING OF EMERGENCY

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

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 coupled with the upcoming application period and funding round.

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 (OAL) 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: Education Code section 41365.

Reference: Education Code sections 41365, 41366.5, and 41366.6.

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 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 \$500,000 to charter schools.

SB 631, Chapter 776, amended Sections 41365, 41366.5, and 41366.6 of the Education Code, became effective January 1, 2026. As a result, the Authority proposed emergency regulations which took effect on December 30, 2025. The amended sections were 10170.17-10170.23 under OAL Matter Number 2025-1219-02E.

Authority staff have identified some additional changes required related to program administration in sections 10170.19, 10170.20, and 10170.21. The proposed emergency amended regulations for the Program are intended to address the following: 1) add an application fee to offset increased administrative cost; 2) loan recipient rankings in case of oversubscription; and 3) better clarity surround loan term maximums and determinations. The Authority is requesting approval of these revisions to ensure clarity, timely disbursements and reporting, 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 March 26, 2026, the Authority's Board approved the emergency amendments so that these revisions may become part of the Program regulations upon the Office of Administrative Law's approval.

Amendments Purpose and Necessity:

- Section 10170.19. Application Content and Submission.
 - (g) – Added a \$500 non-refundable application fee to offset administrative cost due the expected increase in program applicants. The Authority expects an increase in the number of applications and loan recipients. This is due to three major factors: 1) the increase in the eligible applicant pool due to the passage of Senate Bill 631 (2025); 2) the increase of lifetime loan maximums also provide in SB 631; and 3) the expiration of the moratorium on the authorization of nonclassroom-based charter schools. Additionally, SB 631 increased the program reporting requirements taken on by staff.
- Section 10170.20. Application Review and Evaluation/Underwriting Criteria.
 - New (d)(4) – Added to provide clarification on ranking process described in subsections (d)(1)-(3).
 - (e) – Removed “projected elementary school attendance area” and replaced with “Chartering Authority” to use a more apt comparison and replacing the additional determination process of attendance area with a metric that is publicly available.



- Section 10170.21. Loan Amount and Repayment Terms.
 - Original (b) and (b)(1) - Removed to eliminate confusion and contradictions as new subsection (d) [original subsection (e)] provides information related to loan term determinations.
 - New (b) [Formerly (c)] – Re-lettering subsection
 - New (c) [Formerly (d)] – Re-lettering subsection
 - New (d) [Formerly (e)] – Re-lettering subsection and reworded for clarity.
 - New (d)(1) [Originally (b)(1)] – Moved to provide better clarity and keep term maximums and related determinations in a single subsection.

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.

Evaluation of Inconsistency and Incompatibility:

The Authority has determined that these proposed regulations are not inconsistent or incompatible with existing state or federal regulations. After conducting a review for any regulations that relate to or affect this area, the Authority has concluded that these are the only regulations in California concerning the issues presented. No comparable federal regulations exist.

Cost Estimate and Analysis

The Authority has instituted an application filing fee to offset costs associated with Authority staff reviewing applications and state reporting. Application review includes, but is not limited to, reviewing and verifying application content, underwriting review, business plan review for new schools, ensuring program eligibility, preparing loan agreements, staff reports and resolutions, liaising with program attorneys, ensuring disbursements are made in a timely manner to the loan recipient, and closing document review associated with the loan. Reporting requirements include, but are not limited to, staff reports, liaising with program attorneys, balance confirmations, and accounting reconciliation with the State Treasurer's Accounting Department and State Controller's Office.

The \$500 fee was determined to be adequate to cover costs related to staff time, while not being cost prohibitive for applicants.

Based on staff estimates, the typical application review takes about 25 FTE hours per application from first look to last disbursement. Additionally, the Authority estimates an additional 2.5 FTE staff hours per application related to post-issuance reporting.



Regarding supervision, the Authority estimated 2.5 FTE per application reviewed and 0.5 FTE per application related to reporting. Below is based on the increased staff time per position with current staffing in mind with the lowest end of their pay scale to stay on the conservative side.

Analyst II

- \$6,789.00* per month/\$323.29 per day based on a 21 working day month/\$40.41 per hour based on 8 hour working days.
- \$1,111.28 per Application based on 27.5 FTE hours

Supervisor II

- \$8,826.50* per month/\$420.31 per day based on a 21 working day month/\$52.54 per hour based on 8 hour working days.
- \$157.62 per Application based on 3 FTE hours

Expected Totals per Application for review and reporting

- 30.5 FTE hours
- Costs: \$1,268.90

* - Based on average of minimum and maximum salaries per California Department of Human Resources.

Assumptions of fiscal impact for 2026-27 and two subsequent fiscal years

Assumptions are based on a comparison of newly opened charter schools and realized applications over the last ten years. For newly opened schools, the Authority considered the new classroom charter schools opened from 2016-17 through 2025-26 and the nonclassroom-based schools opened from 2016-17 through 2019-20 due to the moratorium on nonclassroom-based. On average, 28.9 classroom-based and 16.8 nonclassroom-based charter schools opened each school year over that time period for a total of 45.7 new charter schools. Over the same 10-year period, the Authority received 16.2 Program applications each year. Moreover, the increased eligibility pool and the increased lifetime loan maximums will increase the number of applications beyond historical levels. Technically, all 1267 active charter schools are eligible due to the increased maximums. The Authority does not expect all active schools to apply. Considering all the information provided above, the Authority expects at least 50 applicants each fiscal year or at least 25 applicants for Fall and Spring funding periods respectively.

Using an average of 16.2 applications per year, the Authority would estimate \$28,739.12 each year on reviews and reporting. With the projected increase to 50 applications, administrative costs are estimated to be \$63,445.00, which is an increase of \$34,705.88. Based on these assumptions, the Authority expects to collect \$25,000



in application fees to offset the estimated increased costs. Though the Authority is projecting the proposed fees to cover about 72% of the expected increase for the next 3 years, CSFA believes the \$500 application fee best align with the cost needs and the goal of supporting schools in need of funding. As this is the initial funding cycle post SB 631, the Authority will be analyzing the administrative costs realized and working with the Department of Finance to address any increased deficits.

