



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

**Title 4, Division 15, Article 1.5,  
CALIFORNIA CODE OF REGULATIONS  
Charter School Facility Grant Program**

**FINDING OF EMERGENCY**

**INTRODUCTION**

Education Code Section 47614.5(m) states, "The California School Finance Authority may adopt regulations to implement this section. 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 the 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. "

**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.

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.

**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 47614.5, the State Legislature directed the Authority to commence administration of the Charter School Facility Grant Program or SB740 Program (Program) with the 2013-14 fiscal year and to adopt regulations to implement the statute. Effective July 1, 2013, the Authority initiated its administration of the Program, and pursuant to Section 47614.5(m), a Certificate of Compliance was approved on August 6, 2014 by the Office of Administrative Law (OAL) (OAL Regulatory Action #2014-0625-01C).

The Program provides annual assistance with facilities rent and lease costs for pupils in California's charter schools. Since 2013-14, the Authority has made changes to the regulations that guide this Program. In 2022, the Program was subject to a State Audit per direction of the Joint Legislative Audit Committee. The Audit (2022-110R) found that CSFA administered the Program with fidelity to the law however, the Audit included six



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recommendations – three to be implemented by the Legislature and three to be carried out by the Authority at the programmatic level.

Of the three Authority level recommendations, one has been implemented, one has been resolved, and the third will be implemented once the regulations are in place and our reviews commence. The third recommendation relates to vetting program applicants for conflicts of interest (COI). CSFA's COI vetting process was developed in 2014 when the Authority first developed Program regulations. At that time, charter schools were subject to different COI standards. With the passage of SB 126 in 2018, conflict of interest standards for charter schools and their operators aligned with public schools including being subject to Government Code 1090 and the Political Reform Act of 1974.

The State Auditor directed the Authority to confer with the Fair Political Practices Commission (FPPC) regarding our COI reviews. After several conversations with the FPPC and State Treasurer's Office counsel working to implement the Auditor's recommendation, the Auditor concurred with the recommendation to focus on Program Applicant's Statement of Economic Interests filings (Form 700).

If adopted and the regulatory change is effective, CSFA will require Form 700 submissions with all new facility agreements to confirm school officials do not have a financial interest in either leased property or company and/or any services provided related to the Program.

Changes to Program Regulations Sections 10170.2, 10170.6, and 10170.14 are related to this new process. There is also an additional change to remove a 2018 prohibition on late applications and submission appealing related determinations or receiving funding.

A summary of the revisions from each section within the proposed regulations is highlighted below:

1. Section 10170.2. Definitions. (a) Amend "Applicant" to clarify governing entity and organizational structure.
2. Section 10170.2. Definitions. (t) Amend "New Facility Agreement" to better reflect the scenarios in which the Authority would need an appraisal to set a rent and lease cap as required by Program Statute as well as a Form 700 to vet for conflicts of interest.
3. Section 10170.2. Definitions. (v) Add "School Official" to indicate which individuals will be required to submit a Form 700.
4. Section 10170.5. Application Submission. (a)(3) Remove subsection to allow for exceptions or flexibility in undersubscribed rounds.
5. Section 10170.6. Content of Application. (c) and (d) Amend and create to provide requirements for Applicants with New Facility Agreements, including appraisals and Form 700.
6. Section 10170.14. Conflict of Interest. (a) Remove the entire subsection as School Official is defined in Section 10170.2.
7. Section 10170.14. Conflict of Interest. (b) Changed into new subsection (a).
8. Section 10170.14. Conflict of Interest. (c) Amended into new subsection (b) to



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establish a prohibition on agreements/contracts between School Officials and entities listed in the associated Form 700s. Prior remedial steps in subsection original (c)(1)-(5).

9. Section 10170.14. Conflict of Interest. (d) Changed into new subsection (c) with spelling correction.

**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.