

# MEMORANDUM

## Staff Summary No. 4

**Date:** December 11, 2025

**To:** Members of the California School Finance Authority

**From:** Katrina M. Johantgen, Executive Director

**Re:** Approval of Resolution #25-30: Adoption of Emergency Regulations for the Charter School Revolving Loan Fund Program and Authorization of the Permanent Rulemaking Process (Action Item)

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**Background:** The Charter School Revolving Loan Fund Program (Program) was enacted by SB 1759. Pursuant to the State's Education Code sections 41365, 41366.5, 41366.7 and 41367, the Program provides low-interest loans of up to \$250,000 to new charter schools to assist meeting the purposes of the school's approved charter. The interest rate of the loan is set at the earning rate of California's Pooled Money Investment Account (PMIA) on the date of loan disbursement. The Program is available to any charter school that is not a conversion of an existing public school, and that has not yet completed the full term of its initial charter. In the 2013-14 fiscal year, the Program administration was transferred from the CDE to the Authority. Since the transfer of the Program, the Authority has lent more than \$59 million to more than 250 charter schools.

In the most recent Legislative session, the Authority and the State Treasurer's Office worked with Senator Richardson's (D-35) office to initiate statute level changes to the Program. This work resulted in Senate Bill 631. The major changes related to SB631 are the following:

- Additional Priority – Schools that have experienced disasters now have increased preference just behind first year schools.
- General Eligibility – Schools outside their 1<sup>st</sup> petition are now eligible but do not have any priority for awards.
- Lifetime Loan Maximums – Loan amounts were increased from \$250,000 to \$500,000.
- Interest rates – The interest rate calculation was changed to provide more stability for administrative projections.
- Repayment Periods – Disaster affected schools have a longer repayment period and more flexible start date. All other loans will now mirror the remaining years on the applicant's charter petition.

**Issue:** The Authority needs to update Program regulations to reflect the changes initiated by Senate Bill 631 and anything that would affect program administration.

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

**I. Section 10170.17. Definitions.**

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

**II. Section 10170.18. Eligible Applicant.**

1. (a) – Last portion removed as a redundant definition reference.
2. [Formerly] (b) – Fully removed due to updated definition.
3. (b) [Formerly (c)] – Updated language to specify requirement for established applicants.
4. (c) [Formerly (d)] – Reworded for clarity.
5. (e) - Fully removed due to updated definition.
6. (d) [Formerly (f)] – Re-lettering subsection.
7. (g) - Fully removed due to statute change related to SB 631.
8. (e) [Formerly (f)] – Reword to clarify ability to make determinations related to Legal Status Questionnaire disclosures.
9. (f) [Formerly (i)] – Reworded for clarity.
10. (g) [Formerly (j)] - Reworded for clarity and due to updated definitions.
11. (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.
12. (h)(1) [Formerly (k)(1)] - Reworded for clarity and due to updated definitions.
13. (h)(2) [Formerly (k)(2)] - Reworded for clarity and due to updated definitions.
14. (i) [Formerly (l)] – Re-lettering subsection.

**III. Section 10170.19. Application Content and Submission.**

1. (a)- Added to specify two Application periods and timelines for general funding information.
2. New (b) [Formerly portion of (a)] – Created to provide specific timeframes for Application periods

3. New (c) [Formerly (b)] – Limited submission to the Application periods
4. New (d) [Formerly (c)] – Re-lettering subsection
5. New (d)(1) [Formerly (c)(1)] - Reworded for clarity and due to updated definitions.
6. New (d)(5) [Formerly (c)(5)] - Reworded for clarity and due to updated definitions.
7. New (d)(8) [Formerly (c)(8)] - Reworded for clarity and due to updated definitions and also includes requirement for prospective site information.
8. New (d)(9)-(14) [Formerly (c)(9)-(14)] - Reworded for clarity and/or due to updated definitions.
9. New (d)(16) – Establishes Application related documents required for Disaster Affected Charter Schools.
10. 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.
11. (e) - Reworded due to updated definitions.

**IV. Section 10170.20. Application Review and Evaluation/Underwriting Criteria.**

1. (b)(1) - Reworded for clarity
2. (b)(2) - Reworded for clarity
3. (c) – Reword for SB 631 related updates to priority and for clarity.
4. New (c)(1) [Formerly part of (c)] - Separated for clarity
5. New (c)(2) – Establishes Disaster Affected Charter Schools as second priority as well as adding the SB 631 timeline.
6. New (c)(3) [Formerly (c)(2)] – Establishes schools that do not fit into the first two priority but are still in their 1<sup>st</sup> petition as third priority until July 1, 2029.
7. New (c)(4) [Formerly (c)(3)] – Reworded to establish any school out of the three fact patterns does not have a priority.
8. (d)(1) - Reworded due to updated definitions and re-lettering.
9. New (d)(2) [Formerly part of (d)(1)] – Separated and reworded to reference Subsection (c)(2). Reworded due to updated definitions and re-lettering.
10. New (d)(3) – Added to break ties between schools lacking any priority.

**V. Section 10170.21. Loan Amount and Repayment Terms.**

1. (a) – Updated to add SB 631 interest rate changes included new rate floor.
2. (b) – Added to establish loan term determination to match petition terms outside of Disaster Affected Charter Schools.
3. (c) - Reworded for clarity.
4. New (c)(1) [Formerly (c)] - Separated for clarity

5. New (c)(2) – Added to establish alternative start terms for Disaster Affected Charter Schools.
6. (d) – Added for flexibility in payments within fiscal year.
7. (e) – Added to establish alternative loan term maximum for Disaster Affected Charter Schools.

**VI. Section 10170.22. Loan Agreements.**

1. (b) - Reworded for clarity.
2. (c)(4) - Reworded for clarity.
3. (c)(5) - Reworded for clarity.
4. (c)(7) - Reworded for clarity.
5. (c)(8) - Reworded for clarity.
6. (e)(2) - Reworded for clarity.
7. (g) - Reworded due to updated definitions and for clarity.
8. (h) - Reworded due to updated definitions and for clarity.

**VII. Section 10170.23. Internal Controls, Audits and Conflicts of Interest.**

1. (c) - Reworded for clarity.
2. New (d) – Added to establish the Authority’s right to check eligibility related to GS at any point in the loan term.
3. New (e) – Added reporting requirements established in SB 631.

**Proposed Regulations Key:** A draft of the Program’s proposed regulations is included behind this summary in the board packet. Crossed red text (~~e.g., EXAMPLE~~) are proposed removals and underlined blue text (e.g., EXAMPLE) are proposed additions.

**Recommendation:** Authority staff recommends the Board adopt Resolution 25-30: Adoption of Emergency Regulations for the Charter School Revolving Loan Fund Program and Authorization of the Permanent Rulemaking Process. If approved, the Executive Director will include the Resolution demonstrating the Board approval with the rulemaking file to the Office of Administrative Law.