



## SB-631 Charter School Revolving Loan Fund. (2025-2026)

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### Senate Bill No. 631

#### CHAPTER 776

An act to amend Sections 41365, 41366.5, and 41366.6 of the Education Code, relating to charter schools.

[ Approved by Governor October 13, 2025. Filed with Secretary of State  
October 13, 2025. ]

#### LEGISLATIVE COUNSEL'S DIGEST

SB 631, Richardson. Charter School Revolving Loan Fund.

Existing law establishes the Charter School Revolving Loan Fund, under the administration of the California School Finance Authority, and authorizes loans to be made from the fund to (1) a chartering authority for charter schools that are not a conversion of an existing school or (2) directly to a charter school that qualifies to receive specified funding and is not a conversion of an existing school. Under existing law, moneys appropriated to the fund remain available for purposes of the fund until reappropriated or reverted by the Legislature. Existing law limits the amount loaned to a qualifying charter school from the fund to \$250,000 over the lifetime of the charter school and authorizes a qualifying charter school to receive money obtained from multiple loans made directly to the charter school or to the school's chartering authority from the fund, as long as the total amount received from the fund over the lifetime of the charter school does not exceed \$250,000. Existing law requires the Controller, commencing with the first fiscal year following the fiscal year the charter school receives the loan, to deduct from apportionments made to the chartering authority or charter school, as appropriate, an amount equal to the annual repayment of the amount loaned to the chartering authority or charter school for the charter school and to pay the same amount into the fund, as provided. Existing law requires moneys in the fund to be loaned at the interest rate earned by the moneys in the Pooled Money Investment Account as of the date of disbursement of the funds to the charter school.

This bill, among other things, would 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, as specified, would no longer make the charter school solely liable for repayment of a loan in the event of a default, and would revise criteria for receiving priority in the granting of loans. The bill would require moneys 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 bill would prohibit the interest rate from being set at a rate lower than 3%.

Existing law creates the Charter School Security Fund, under the administration of the California School Finance Authority, and requires moneys in the fund to be available for deposit into the Charter School Revolving Loan Fund in case of default on any loan made from the Charter School Revolving Loan Fund. Existing law 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.

This bill would require the above-described annual report to also be provided to specified committees of the Legislature. The bill 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, as provided.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: no

## THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

### **SECTION 1.** Section 41365 of the Education Code is amended to read:

**41365.** (a) The Charter School Revolving Loan Fund is hereby created in the State Treasury. The Charter School Revolving Loan Fund shall be composed of federal funds obtained by the state for charter schools and any other funds appropriated or transferred to the fund through the annual budget process. Funds appropriated to the Charter School Revolving Loan Fund shall remain available for purposes of the fund until reappropriated or reverted by the Legislature through the annual Budget Act or any other act.

(b) Commencing with the 2013–14 fiscal year, the administration of the Charter School Revolving Loan Fund shall be transferred to the California School Finance Authority.

(c) Upon application and approval by the California School Finance Authority, loans may be made from moneys in the Charter School Revolving Loan Fund to a chartering authority for one or more charter schools, none of which are a conversion of an existing school, or directly to a charter school that qualifies to receive funding pursuant to Chapter 6 (commencing with Section 47630) of Part 26.8 of Division 4 that is not a conversion of an existing school. Money loaned to a chartering authority for a charter school, or directly to a charter school, pursuant to this section shall be used only to meet the purposes of the charter granted pursuant to Section 47605. The loan to a chartering authority for a charter school, or directly to a charter school, pursuant to this subdivision shall not exceed five hundred thousand dollars (\$500,000) over the lifetime of the charter school receiving the benefit of the loan. A charter school may receive money obtained from multiple loans made directly to the charter school or to the charter school's chartering authority from the Charter School Revolving Loan Fund, as long as the total amount received from the fund over the lifetime of the charter school does not exceed five hundred thousand dollars (\$500,000).

(d) The California School Finance Authority may consider all of the following when making a determination to approve a charter school's loan application:

- (1) The soundness of the financial business plans of the applicant charter school.
- (2) Availability of the charter school of other sources of funding.
- (3) Geographic distribution of loans made from the Charter School Revolving Loan Fund.
- (4) The impact that receipt of funds received pursuant to this section will have on the charter school's receipt of other private and public financing.
- (5) Plans for creative uses of the funds received pursuant to this section, such as loan guarantees or other types of credit enhancements.
- (6) The financial needs of the charter school.

(e) Priority for loans from the Charter School Revolving Loan Fund shall be given in the following order:

- (1) To new charter schools for startup costs.
- (2) Until July 1, 2029, to charter schools that were damaged, destroyed, or closed for 10 or more schooldays as a result of conditions of disaster or of extreme peril in response to which the Governor has proclaimed a state of emergency pursuant to Chapter 7 (commencing with Section 8550) of Division 1 of Title 2 of the Government Code.

(f) (1) Commencing with the first fiscal year following the fiscal year the charter school receives the loan, the Controller shall deduct from apportionments made to the chartering authority or charter school, as appropriate,

an amount equal to the annual repayment of the amount loaned to the chartering authority or charter school for the charter school under this section and pay the same amount into the Charter School Revolving Loan Fund in the State Treasury. Repayment of the full amount loaned to the chartering authority or charter school shall be deducted by the Controller in equal annual amounts over a number of years agreed upon between the loan recipient and the state agency authorized to administer the Charter School Revolving Loan Fund and the Charter School Security Fund.

(2) Charter schools that meet the priority criteria of paragraph (2) of subdivision (e) may request to start payments no later than the first fiscal year after the most recent full year of operation, subject to the approval of the California School Finance Authority.

(3) (A) The number of repayment years pursuant to paragraph (1) shall not exceed five years.

(B) Notwithstanding subparagraph (A), the number of repayment years pursuant to paragraph (1) shall not exceed eight years for charter schools that meet the priority criteria of paragraph (2) of subdivision (e).

(g) (1) Notwithstanding any other law, a loan may be made directly to a charter school pursuant to this section only in the case of a charter school that is established and operating pursuant to Part 26.8 (commencing with Section 47600) of Division 4.

(2) Notwithstanding any other law, in the case of default of a loan made directly to a charter school pursuant to this section, the charter school and the entity managing the charter school, as defined in Section 47604.1, shall be liable for repayment of the loan.

(h) 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 public peace, health and safety, or general welfare.

**SEC. 2.** Section 41366.5 of the Education Code is amended to read:

**41366.5.** (a) Moneys in the Charter School Revolving Loan Fund shall be loaned at (1) the rate paid on moneys in the Pooled Money Investment Account as of the date of disbursement of the funds or (2) a rate equal to 50 percent of the interest rate paid by the state on the most recent sale of state general obligation bonds, computed according to the true interest cost method, whichever is less, except that the rate shall not be set at a rate lower than 3 percent.

(b) A charter school shall pay the interest on any loan from the fund in regular installments withdrawn from the annual apportionment the charter school receives.

(c) All interest payments shall be paid into the Charter School Security Fund established pursuant to Section 41367.

**SEC. 3.** Section 41366.6 of the Education Code is amended to read:

**41366.6.** (a) The California School Finance Authority shall monitor the adequacy of the amount of funds in the Charter School Revolving Loan Fund and report annually to the Department of Finance and the Controller on the need, if any, to transfer funds from the Charter School Security Fund to the Charter School Revolving Loan Fund for the sole purpose of replacing funds lost in the Charter School Revolving Loan Fund due to loan defaults. Before requesting any transfer of funds from the Charter School Security Fund, the California School Finance Authority shall make all reasonable efforts to recover funds directly from the defaulting loan recipient. To the extent that the California School Finance Authority determines that a transfer from the Charter School Security Fund to the Charter School Revolving Loan Fund is necessary, the California School Finance Authority shall obtain approval from the Director of Finance before a transfer of funds is made. Not sooner than 30 days after notification in writing to the Chairperson of the Joint Legislative Budget Committee, the Director of Finance shall direct the Controller to transfer the appropriate amount of funds.

(b) (1) By October 1 of each year, and in compliance with Section 9795 of the Government Code, the California School Finance Authority shall provide detailed fund condition information for the Charter School Revolving Loan Fund and the Charter School Security Fund to the Department of Finance, the Assembly Committee on Education, the Senate Committee on Education, the Assembly Budget Subcommittee on Education Finance, the

Senate Budget and Fiscal Review Subcommittee on Education, and the Legislative Analyst's Office. At a minimum, this information shall contain an accounting of actual beginning balances, revenues, itemized expenditures, and ending balances for the prior year, as well as projected beginning balances, revenues, itemized expenditures, and ending balances for the current year and budget year.

(2) (A) For the report due by October 1, 2029, the California School Finance Authority shall, in addition to the information required pursuant to paragraph (1), 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. The analysis and summary shall include, but not be limited to, expenditure information related to facilities, employees, startup costs, equipment, direct services to pupils, and the administration of the loan, as applicable.

(B) The California School Finance Authority shall first use information provided by the charter school loan recipient in the charter school's loan application and in program audits before requesting additional information from the charter school loan recipient.

(C) Charter school loan recipients shall provide information requested by the California School Finance Authority in order to meet the requirements of this paragraph.