TEXT OF REGULATIONS

CALIFORNIA CODE OF REGULATIONS Title 4, Division 15

Article 1.6 Charter School Revolving Loan Fund Program

§ 10170.17. Definitions.

For the purposes of this article, the following words and phrases shall have the meaning as described below:

(a) "Affiliated ~~Organization~~ Entity" shall mean an entity managing a Charter School as defined in Section 47604.1 of the Education Code and that assumes financial, legal, and operational responsibility for a Charter School(s)~~, including but not limited to, a school district, parent company and charter management organization~~.

(b) "Applicant" shall mean ~~the~~ an incorporated Charter School ~~or~~ directly applying for a loan, an Affiliated Entity applying for a loan for the benefit of a Charter School, or a Chartering Authority applying ~~on behalf~~ for a loan for the benefit of a Charter School ~~for a loan under this article~~.

(c) "Application" shall mean a completed Charter School Revolving Loan Fund Program Application (CSFA RLF-01; revised August 10, 2016), incorporated herein by reference, as defined and developed by the Authority, and all other documents required to be submitted to the Authority.

(d) "Authority" shall mean the California School Finance Authority.

(e) "CDS Code" shall mean the County-District-School identifier assigned to all California Charter Schools.

(f) "Charter School" shall mean a school established and operating pursuant to the Charter Schools Act of 1992 (Education Code Section 47600, et seq.).

(g) "Charter School Revolving Loan Fund" shall mean the designated fund within the State Treasury established pursuant to Education Code section 41365 for the purpose of disbursing Program loans to Charter Schools.

(h) "Chartering Authority" shall mean the school district, county board of education, or State Board of Education that approved a Charter School's petition to become a Charter School pursuant to Education Code section 47605.

(i) "Disaster Affected Charter School" shall mean a Charter School that was 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 and will be benefitting from the loan.

(j) ~~(i)~~"Free or Reduced-Price Meal" or "FRPM" shall mean the percentage of enrolled students in grades Kindergarten through 12th grade or students ages 5 through 17, whichever is greater, eligible for Free or Reduced-Price Meals, as reported by the California Department of Education and certified through the annual Fall 1 data submission to the California Longitudinal Pupil Achievement Data System for the same fiscal year within which the Applicant applies.

(k) ~~(j)~~ "Good Standing" shall mean the Applicant meets all three of the following conditions: 1) is in compliance with the terms of the charter, 2) does not have any pending or outstanding corrective actions as described in a notice issued pursuant to Education Code Section

47607(g), and 3) does not have a pending or outstanding Notice of Intent to Revoke as described in Education Code Section 47607(h). The Authority will rely on information prepared by the chartering authority and the submission of a Good Standing Confirmation Form (GSCF) (CSFA Form 1119), November 2019 herein incorporated by reference.

(l) ~~(k)~~ "Incorporated Charter School" shall mean a Charter School ~~operated by a corporate entity, such as a non-profit corporation, limited liability corporation, or partnership~~formed as a Nonprofit Entity or operated by a Nonprofit Entity.

(m)~~(l)~~ "Loan Recipient" shall mean the Charter School or Chartering Authority that has applied on behalf of a Charter School for which the Authority has approved and issued a loan through the Program.

(n) ~~(m)~~ "New Charter School" shall mean a Charter School planning to begin operations in the fiscal year following the fiscal year in which an Application has been submitted.

(o) ~~(n)~~ "Nonprofit Entity" shall mean an entity organized and operated ~~for an exempt purpose as set forth in Internal Revenue Code section 501(c)(3), or is organized and operated~~ by a nonprofit public benefit corporation, pursuant to California Corporations Code, Title 1, Division 2, Part 2, section 5110, et seq., and no part of the organization's income is distributed to its members, directors, or officers

(p) ~~(o)~~ "Pooled Money Investment Account" shall mean the designated account within the State that is managed by the State Treasurer's Office and governed by the Pooled Money Investment Board to invest taxpayers' money and manage the State's cash flow. The yield on the Pooled Money Investment Account is used to set the interest rate on an approved loan at the time that the loan proceeds are disbursed to Charter Schools.

(q) ~~(p)~~ "Program" shall mean the Charter School Revolving Loan Fund Program.

(r) ~~(q)~~ "Region One" shall consist of the following counties: Alpine, Amador, Butte, Colusa, Contra Costa, Del Norte, El Dorado, Glenn, Humboldt, Lake, Lassen, Marin, Mendocino, Modoc, Napa, Nevada, Placer, Plumas, Sacramento, San Joaquin, Shasta, Sierra, Siskiyou, Solano, Sonoma, Sutter, Tehama, Trinity, Yolo, and Yuba.

(s) ~~(r)~~ "Region Two" shall consist of the following counties: Alameda, Calaveras, Fresno, Inyo, Kern, Kings, Madera, Mariposa, Merced, Mono, Monterey, San Benito, San Francisco, San Mateo, Santa Clara, Santa Cruz, Stanislaus, Tulare, and Tuolumne.

(t) ~~(s)~~ "Region Three" shall consist of the following counties: Los Angeles, San Bernardino, San Luis Obispo, Santa Barbara, and Ventura.

(u) ~~(t)~~ "Region Four" shall consist of the following counties: Imperial, Orange, Riverside, and San Diego.

Note: Authority cited: Section 41365, Education Code. Reference: Sections 41365 and 41366.5, Education Code.

§ 10170.18. Eligible Applicant.

An Applicant shall be eligible to apply for a loan if the following conditions are met:

(a) The Application is submitted by an Applicant ~~a Charter School or by a Chartering Authority~~.

~~(b) The Charter School shall not operate as, or be operated by, a for-profit corporation, a for-profit educational management organization, or a for-profit charter organization.~~

(b) ~~(c)~~ Except in the case of a first-year Charter School, ~~T~~the Charter School that will benefit

from the loan is established pursuant to Education Code section 47600 et seq.

(c) ~~(d)~~ An approved charter for the Charter School that will benefit from the loan has been awarded, is in place, and is current at the time of Application. In the case of a first~~-~~year Charter School, the Applicant shall submit evidence that ~~its~~ the charter petition for the Charter School that will benefit from the loan has been submitted to a Chartering Authority for approval and that it anticipates beginning operations in the following fiscal year.

~~(e) If the Applicant is a Charter School applying on its own behalf, the Charter School shall be an Incorporated Charter School as demonstrated by Articles of Incorporation.~~

(d) ~~(f)~~ The Charter School is not a conversion from an existing public school.

~~(g) The Charter School has not had its charter renewed as of the date of submission of its Application.~~

(e) ~~(h)~~ The Charter School has no material legal issues as determined by the Authority.

(f) ~~(i) A Charter School may receive m~~Multiple loans may be made to an Applicant. In no instance may an Applicant receive loans for a Charter School that aggregate ~~receive~~ more than $~~250~~500,000 ~~in Program loans~~ over the lifetime of the Charter School.

(g) ~~(j)~~ The ~~Charter School~~ Applicant and/or Affiliated ~~Organization~~Entity, if applicable, are in compliance with all programs administered by the Authority.

(h) ~~(k)~~ The Charter School that will benefit from the loan is in Good Standing as described in Section 10170.17(~~j~~k) during the fiscal year of the associated Application submission. The Good Standing Confirmation Form (GSCF) (CSFA Form 1119), November 2019 herein incorporated by reference, must be completed and returned only if the Chartering Authority is aware of any outstanding compliance or revocation issues, otherwise no action is necessary. A~~n~~ Charter School ~~Applicant~~ found not to be in Good Standing, as determined by their Chartering Authority, shall be ineligible for program funds. The Applicant may cure ineligibility for program funds by meeting one of the following criteria:

(1) The Charter School ~~Applicant~~ receives confirmation of Good Standing within the same fiscal year of application; or

(2) Applicants for a Charter School found not to be in Good Standing solely due to the Charter School ~~Applicant~~ failing to meet the requirements of Education Code Section 47607(f)(3) must provide evidence demonstrating fiscal solvency to the satisfaction of the Authority. Such evidence may include the Applicant's organizational budgets and audited financials.

(i) ~~(l)~~ The Authority shall determine whether the Application is complete. If the Authority determines that additional information is needed, the Authority shall notify the Applicant and request such information. If the Applicant fails to provide the information as requested, the Applicant shall be ineligible for a Program loan.

Note: Authority cited: Section 41365, Education Code. Reference: Sections 41365 and 41366.5, Education Code.

§ 10170.19. Application Content and Submission.

(a) The Application ~~(CSFA RLF-01; revised August 10, 2016)~~ will be made available for Fall and Spring funding on the Authority's website, based on available funding. The expected levels of available funding will be made available on the Authority's website each January and June.

(b) Applications for Fall semester funding will be available from March through May and Applications for Spring semester funding will be available from August through October.

(c) ~~(b)~~ Based on availability of funding, Applications will be accepted during an application period ~~on an ongoing first come first served basis,~~ with priority given based on date of submission and criteria set forth at Section 10170.20. Applicants shall submit an Application and all supporting documents via the online Application system.

(d) ~~(c)~~ Each completed Application shall include the following documents (in addition to supporting documents required for the Application, CSFA RLF-01; revised August 10, 2016):

(1) Articles of Incorporation for ~~an incorporated charter~~ the Applicant or operational agreement or Memorandum of Understanding between the Charter School and the Chartering Authority ~~for a dependent charter~~;

(2) Nonprofit Entity verification as described in Section 10170.17(n);

(3) Description of the intended use of an award of loan funds;

(4) Copy of current charter petition and evidence supporting charter approval and term;

(5) Audited financial statements of the Applicant, if available;

(6) An adopted budget, if available, for the first fiscal year for which the Applicant is applying;

(7) Multi-year budget projections for at least the five fiscal years beyond the first fiscal year for which the Applicant is applying, including written budget assumptions;

(8) Applicant's ~~M~~most recent business plan and/or strategic plan for at least the next five academic years;

(9) List of the Charter School's board of directors including their occupations, cities of residence, and terms of office;

(10) Resumes of key staff members (e.g., Chief Executive Officer, President, Operations Manager, Chief Financial Officer, Principal, etc.) of the Applicant and the Charter School, as applicable;

(11) The Charter School's ~~H~~historical, current, and projected enrollment and attendance, by grade level, for the next five years;

(12) The Charter School's ~~T~~targeted student population and demographics;

(13) A listing of historical, current, and anticipated future funding of Charter School operations through private contributions;

(14) List the total amounts, annual amounts, interest rates, and maturity dates of all existing and anticipated short- and long-term debt obligations of the Applicant ~~or Charter School~~; ~~and~~

(15) List and copy of all material contracts, including, but not limited to, management, support services, transportation contracts, and any such anticipated contracts involving use of space or equipment~~.~~; and

(16) For Applicants applying as a Disaster Affected Charter School, a description of the related disaster or extreme peril including but not limited to the initial date of the related disaster or extreme peril, the range of dates wherein the related disaster directly affected operations, and the detailed summary of how the Charter School was damaged, destroyed or closed..

~~(d) The Authority will request completion of the GSCF directly from the Chartering Authority. This form shall be completed and returned only if the Chartering Authority is aware of any outstanding compliance or revocation issues, otherwise no action is necessary. An Applicant~~

~~may appeal any response by the Chartering Authority's staff directly to the Chartering Authority's governing board.~~

~~(1) Requests for confirmation of Good Standing will be sent out to the Chartering Authority upon receipt of each Application.~~

~~(2) The Authority reserves the right to request an additional Good Standing Confirmation at any time during the life of the loan.~~

(e) An Affiliated ~~Organization~~ Entity or Applicant operating more than one Charter School, as identified by separate CDS Codes, must submit a separate Application for each Charter School with a separate CDS Code for which a loan award is sought.

(f) Starting with the 2026-27 Fall Semester funding applications, applicants shall be required to pay an application filing fee of $500 with each submission. This fee shall be paid by check to the Authority at the address provided in the Application. This fee is not refundable.

Note: Authority cited: Section 41365, Education Code. Reference: Sections 41365 and 41366.5, Education Code.

§ 10170.20. Application Review and Evaluation/Underwriting Criteria.

(a) The Authority will evaluate and determine Program loans based on the following:

(1) The Applicant meets all Eligibility Criteria under Section 10170.18;

(2) The Applicants demonstrates the ability to repay the loan; and

(3) The Applicant demonstrates that use of loan funds will be strictly for supporting the operations and financing of the Charter School consistent with the intent of the charter pursuant to Education Code Section 47605.

(b) In addition, the Authority may consider the following criteria as it relates to the Application:

(1) Soundness of the ~~Charter School's~~ business plan, and the expertise of key management ~~at the Charter School~~;

(2) Availability to the Charter School of other sources of funds;

(3) Impact of receipt of Program funds received on the ~~Charter School's~~ receipt of other private and public financing;

(4) Compliance with other Programs under the Authority, if the Charter School or its affiliate received an award under another Program;

(5) Compliance with repayment of all prior Program loan(s), if the Charter School or its affiliate received all previous Program loan(s); and

(6) In the Authority's evaluation of supporting financial information submitted pursuant to Section 10170.19, the Authority shall consider the reasonableness of projected financial performance and corresponding assumptions based on current and historical performance and Charter School's business and/or strategic plans. The Authority may consider current and historical performance, including cash flow, major revenues, degree of reliance on loans and fundraising, enrollment trends, student performance data, projected average daily attendance, expenses, and debt service coverage, if applicable.

(c) Priority shall be given ~~to New Charter Schools for start-up costs. If additional funds are available after New Charter Schools have been deemed eligible, consideration for a Program loan will be given to existing Charter Schools that have not had their charter's renewed~~ in the following order:~~.~~

(1) To New Charter Schools for start-up costs.

(2) Until July 1, 2029, to existing Disaster Affected Charter Schools..

(3) To remaining existing Charter Schools.

(d) If there are insufficient funds available during an Application cycle, the Authority shall establish priority as follows:

(1) Among New Charter Schools, if applicable, based on highest FRPM across Regions ensuring equal representation to the extent feasible among Regions pursuant to Sections 10170.17~~(q)-(t)~~(r)-(u);.

(2) Among existing Charter Schools that meet the criteria of subdivision (c)(2) based on the recency of the related event and the highest FRPM across Regions ensuring equal representation to the extent feasible among Regions pursuant to Section 10170.17~~(q)-(t)~~(r)-(u).

(3) Among remaining existing Charter Schools based on the highest FRPM across Regions ensuring equal representation to the extent feasible among Regions pursuant to Section 10170.17(r)-(u).

(4) If there are insufficient funds to ensure equal representation as described in (d)(1)-(3), the Authority will prioritize applicants starting with Region One and continue numerically through Region Four.

(e) Pursuant to subdivision (d), in the event that the Charter School's FRPM data is not available, the Authority shall award loans based on the FRPM of the school's Chartering Authority ~~projected elementary school attendance area~~.

Note: Authority cited: Section 41365, Education Code. Reference: Sections 41365 and 41366.5, Education Code.

§ 10170.21. Loan Amount and Repayment Terms.

(a) The Authority shall establish a loan amount and repayment period, for an approved loan, which shall be memorialized in a written Loan Agreement and subject to an interest rate equal to the ~~interest rate earned~~ lesser of either (1) the rate paid on moneys in the Pooled Money Investment Account as of the date of loan 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. The interest rate shall not be set at a rate lower than 3 percent.

~~(b) The Authority shall consider the term of the charter as well as the amount of the loan in establishing the repayment period.~~

~~(1) In the case of a New Charter School, the loan term will not exceed the length of the school's approved charter term.~~

(b) ~~(c)~~The loan repayment shall begin in the first fiscal year following the date of disbursement as determined by the Authority~~'s accounting office~~, and all disbursements shall be in a single fiscal year. ~~In the case of charter schools receiving multiple disbursements, the first fiscal year of repayment shall be based on the date of final disbursement.~~

(1) In the case of charter schools receiving multiple disbursements, the first fiscal year of repayment shall be based on the date of final disbursement.

(2) Disaster Affected Charters Schools may request to start loan payments no later than the first fiscal year after the most recent full year of operation, subject to the approval of the

Authority.

(c) ~~(d)~~The repayment amount for each fiscal year following the issuance of the loan shall be based on equal annual payments, including principal and interest, over the number of years determined by the Authority. The annual repayments may be distributed over any number of months within a given year so long as each annual repayment amount is equal to all other annual repayment amounts.

(d) The Authority shall consider the term of the charter as well as the amount of the loan in establishing the repayment period. The repayment period on a Program loan shall not exceed five years except for Disaster Affected Charter Schools in which case, the repayment period shall not exceed eight years.

(1) In the case of a New Charter School, the loan term will not exceed the length of the school's approved charter term.

~~(e) In no event shall the repayment period on a Program loan exceed five years.~~

Note: Authority cited: Section 41365, Education Code. Reference: Sections 41365 and 41366.5, Education Code.

§ 10170.22. Loan Agreements.

(a) Prior to the issuance of each loan award, the Authority shall require each Loan Recipient to agree to terms and conditions set forth in a written Loan Agreement, which shall specify the loan amount, repayment period, covenants, and requirements in the event of inability to make payments or default.

(b) The Loan Agreement requires the Charter School benefitting from the loan~~each Loan Recipient~~ to have a valid CDS Code.

(c) The Loan Agreement shall require each Loan Recipient to agree to each of the following:

(1) Having its loan payments intercepted and offset at the state level, pursuant to Section~~s~~ 41365(f) of the Education Code;

(2) Defending, indemnifying and holding harmless the Authority and the State, and all officers, trustees, agents, and employees of the same, from and against any and all claims, losses, costs, damages, or liability of any kind or nature, whether direct or indirect, arising from or relating to the loan or the Program;

(3) Complying with any audit provisions as may be required by the Authority, State Controller, or the California State Auditor;

(4) The Charter School for which the loan is received ~~M~~maintain~~ing~~s a valid charter and operat~~ing~~es ~~a Charter School~~ continuously throughout the term of the loan. The Authority reserves the right to contact the Chartering Authority directly seeking written verification that the ~~Loan Recipient~~Charter School for which the loan is received is in Good Standing and in compliance with the terms of its charter;

(5) Notifying the Authority~~, within 30 days,~~ of any material changes to its financial condition ~~or that of the Charter School~~ that occur between the time of Application and the end of the loan period and within 30 days of said changes occurring;

(6) Ensuring that the expenditure of all loan funds is consistent with the intent of the Program and solely for the purpose of supporting the operations and financing of the Charter School;

(7) Notifying the Authority within 30 days of a Loan Recipient's determination that all or a portion of loan funds are no longer needed for their intended use, as identified in the Application, and returning ~~providing remittance~~ to the Authority ~~of~~ all such funds that have already been disbursed; and

(8) Such other terms and conditions as agreed upon by the Authority and the Charter School.

(d) The Loan Agreement shall include a loan repayment schedule.

(e) In the case of insufficient funds to make the annual payment during a fiscal year, any available funds will be offset as scheduled and any deficit / amount owed will be added to the next scheduled apportionment offset in the same fiscal year.

(1) If the total of insufficient funds is not offset by the end of the fiscal year, then the deficit / amount owed will be invoiced to the Charter School and will be repaid within 60 days.

(2) If a Charter School closes or fails to open within the next fiscal year after its final ~~receiving their~~ loan disbursement, all funds disbursed previously must be repaid within 60 calendar days, unless granted an extension by the Authority.

(f) The Authority shall set up accounts receivable for any Charter School that is past due on loan repayment or that has defaulted on repayment of a Loan.

(g) In the event a Loan Recipient~~the Charter School~~ is unable to repay the loan and the Charter School is operated by an Affiliated ~~Organization~~Entity or Chartering Authority ~~in the case of a dependent charter~~, ~~the Authority shall require~~ the Affiliated ~~Organization~~Entity or Chartering Authority shall be liable for repayment of the ~~to make annual payments or repay the total outstanding~~ loan ~~amount on behalf of the Charter School~~.

(h) In the event the Loan Recipient~~Charter School~~ is unable to repay the loan and ~~the Charter School~~ is operated by an Affiliated ~~Organization~~Entity or Chartering Authority ~~in the case of a dependent charter~~, and the corresponding Affiliated ~~Organization~~Entity or Charter Authority is an awardee under one of the Authority's other programs, the Authority may offset unrestricted funds from the relevant program in order to ensure repayment of the loan.

Note: Authority cited: Section 41365, Education Code. Reference: Sections 41365 and 41366.5, Education Code.

§ 10170.23. Internal Controls, Audits and Conflicts of Interest.

(a) The State may conduct or require periodic audits to ensure Loan Recipients are using funds consistent with the requirements and the terms of the Program, the related financing Program, if applicable, and this Article as approved. Loan Recipients shall retain all documentation and financial data necessary to substantiate the purposes for which the financing funds were spent for a period of five years after repayment of the loan.

(b) Loan Recipients may be required to routinely verify continued eligibility.

(c) The Authority reserves the right to conduct site visits to any Charter School ~~facility~~ benefitting from ~~project applying for or receiving~~ a loan ~~pursuant to this Article~~.

(d) The Authority reserves the right to request an additional Good Standing confirmation at any time during the life of the loan.

(e) Loan Recipients are required to provide a summary of all expenditures paid for by the loan once the repayment period has ended or in the event the Loan Recipient is unable to repay the loan.

Note: Authority cited: Section 41365, Education Code. Reference: Sections 41365 and 41366.~~5~~6, Education Code.