M E M O R A N D U M **Item 11 Staff Summary**

Date: September 24, 2026

To: Members of the California School Finance Authority

From: Katrina M. Johantgen, Executive Director

Subject: Resolution 26-29 – Approval of the 2026-27 Charter School Revolving Loan Fund Program Recommendations

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Background: The Charter School Revolving Loan Fund (Program) was established by Assembly Bill AB 3384 (1996) and subsequently amended by Senate Bill SB 1759 (2000) and Senate Bill SB 631 (2025). Pursuant to California Education Code sections 41365, 41366.5, 41366.7, and 41367, the Program provides low-interest loans of up to $500,000 to eligible charter schools to assist with meeting the purposes of the school's approved charter. Priority for loans will be given first to new charter schools, followed by disaster-impacted charter schools and then all other eligible charter schools.

26-27 Funding Round: The California School Finance Authority (CSFA) opened the application period for the 2026-27 Funding Round of the Program in March 2026. During the application period, 24 schools submitted timely applications for loans under the Program. Of those applications, 6 are new charter schools, 2 are disaster impacted schools, and 16 are existing charter schools. The Program has approximately $29 million available to award for this funding round. For your review and consideration, staff provides summary findings for each recommended school in attachments to this memo, and a list of schools under Exhibit A of Resolution 26-29.

Financial Analysis: Authority staff evaluate each application in accordance with the requirements of the Education Code and the Program regulations. As part of the underwriting process, staff assess each applicant's financial capacity to repay the loan using a financial model that incorporates current and projected operating budgets, state funding estimates, enrollment projections, and other relevant financial and operational information.

In the Authority's evaluation of supporting financial information submitted, 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.

The financial analysis evaluates the school's ability to meet its projected repayment obligations under multiple debt service coverage scenarios, including stress-testing projected revenues using reduced enrollment assumptions. Applicants must demonstrate sufficient financial capacity to satisfy the Program's underwriting standards. When appropriate, staff may recommend a reduced loan amount to align the requested financing with the applicant's demonstrated repayment capacity, subject to the minimum and maximum loan amounts established by statute and regulation. Other operational indicators are evaluated to determine program viability and the ability to repay the program loan.

Loan Overview: Program regulations set loan repayment for new charter schools to the term of their current charter authorization, existing charter schools to a maximum loan repayment term of five years, and disaster impacted schools will have a maximum of eight years to repay their Program loan.

The interest rate on each loan is the lesser of (1) the earning rate of the State's Pooled Money Investment Account (PMIA) in effect on the date of loan disbursement or (2) 50 percent of the interest rate paid by the state on its most recent sale of general obligation bonds, except that the interest rate may not be less than three percent. Interest payments are deposited into the Charter School Security Fund, which may be used to replenish the Charter School Revolving Loan Fund and offset loan defaults, as authorized by statute.

To reduce losses to the Program, Staff will continue to monitor enrollment in the year of loan award, and limiting loan disbursements to borrowers with attendance certified at levels consistent with previously submitted projections.

- For any loan amount approved by the board for higher risk applicants, the first of two potential loan disbursements would occur after loan documents are executed, up to a maximum amount of 40% of loan amount.
  - A subsequent disbursement of the remaining 60% will occur once CDE certifies the applicant’s attendance, typically in mid to late December. Borrowers reporting attendance at levels which are not adequate to repay the loan will have future disbursements reduced or eliminated.
- For existing charter schools with strong indicators, full eligible loan amounts may be disbursed after board approval.
- Similarly, disaster impacted applicants loan disbursement amounts will be determined based on indicators and results from credit monitoring.

Staff Recommendation: Staff recommends that the Board determine that Applicants identified in Resolution 26-29 are approved for a loan as indicated. This determination, as it relates to these Applicants, shall remain in effect for Fiscal Year 2027 and assumes no financial, operational, or legal material findings within this period. This recommendation is contingent upon the Applicants selecting to have their Program payments intercepted at the state-level, under Sections 41365(f) of the Education Code.

Staff recommend that the Board direct staff to notify the Applicants of the conditional loan approval, including the first loan disbursement amount, and subsequently confirm the Applicants continue to meet all funding criteria and Program requirements before executing the loan agreement and carrying out all other necessary steps to disburse loan funds.