



**CALIFORNIA SCHOOL FINANCE AUTHORITY
915 CAPITOL MALL, SUITE 220-W
SACRAMENTO, CA 95814**

INITIAL STATEMENT OF REASONS

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

INTRODUCTION

The California School Finance Authority (Authority) is organized and operated pursuant to the California School Finance Authority Act under sections 17170 through 17199.5 of the Education Code.

Pursuant to Education Code, Section 47614.5, the State Legislature directed the Authority to commence administration of the Charter School Facility Grant Program (Program) beginning with the 2013-14 fiscal year and to adopt regulations to implement the statute.

PROBLEM STATEMENT

Sections 47614.5 of the Education Code endow the Authority with the general power to adopt regulations, as a power reasonably necessary to carry out the powers and responsibilities to administer the Program effectively. The proposed regulations are meant to better address potential conflicts of interest based on recommendations made by the California State Auditor's 2023 report on the Program as requested by Joint Legislative Audit Committee. The proposed regulations are also meant to provide additional clarity as well as assist with the Authority's administration.

ANTICIPATED BENEFITS

The proposed regulations improve the oversight related to potential conflicts of interest related to cost reimbursement. They also provide specificity and guidance for applicant charter schools to allow for informed decisions concerning Program participation. By setting forth Program requirements and expectations, the proposed regulations reduce the potential for confusion or misinterpretation or misapplication of the rules and increase the likelihood of Program success. Additionally, by setting out clear program goals and requirements, these regulations provide transparency concerning the administration of a government program.

SPECIFIC PURPOSE OF, AND RATIONALE FOR, EACH PROPOSED AMENDMENT

1. Section 10170.2. Definitions. (a) Amend "Applicant" to clarify governing entity and organizational structure for fact patterns for charter school governance.
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 technical exceptions as well as 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) to keep this requirement.
8. Section 10170.14. Conflict of Interest. (c) Amended into new subsection (b) to establish a prohibition on agreements/contracts between School Officials and entities listed in the associated Form 700s. Removal of the prior remedial steps in subsection original (c)(1)-(5) as to remove remedies that may conflict with current conflict of interest requirements and compliance with Audit recommendations.
9. Section 10170.14. Conflict of Interest. (d) Changed into new subsection (c) with spelling correction.

TECHNICAL, THEORETICAL, AND/OR EMPIRICAL STUDIES, REPORTS, OR DOCUMENTS

The Authority did not rely on any technical, theoretical, and/or empirical studies, reports, or documents in proposing the regulations.

ECONOMIC IMPACT ASSESSMENT

The proposed regulations are unlikely to have an impact on the creation or elimination of jobs within the State of California. In addition, the Authority is unaware of any reason enhancing conduit financings would result in the elimination of jobs. Furthermore, the proposed regulations are unlikely to have an impact on the creation of new businesses or the elimination of existing businesses within the State of California.

Moreover, the proposed regulations will have no benefit to worker safety or the state's environment as a result of this rulemaking. The purpose of the program and proposed regulations is to set forth administrative criteria and requirements for administering this grant program. As the intent of the program is to enhance financings related to charter school facilities, the Program and its proposed regulations have the potential to directly benefit the welfare of students and their related communities.

REASONABLE ALTERNATIVES AND THE AUTHORITY'S REASONS FOR REJECTING THOSE ALTERNATIVES

There is no reasonable alternative as these are the establishing regulations for the Program.

DUPLICATION OR CONFLICTS WITH FEDERAL REGULATIONS

The proposed regulatory action does not contain any regulations that are identical to or in conflict with any corresponding federal regulation.

REGULATIONS MANDATED BY FEDERAL LAW

Not applicable.