



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

NOTICE OF PROPOSED RULEMAKING ACTION

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

NOTICE IS HEREBY GIVEN that the California School Finance Authority (Authority), organized pursuant to Sections 17170 through 17199.6 of the Education Code, proposes to amend the regulations described below after considering all comments, objections, and recommendations regarding the proposed action. Any person interested may present written statements or arguments relevant to the proposed action to the attention of the Contact Person as listed in this Notice no later than April 27, 2026. The Authority Board, upon its own motion or at the request of any interested party, may thereafter adopt the proposal substantially as described below or may modify such proposals if such modifications are sufficiently related to the original text. With the exception of technical or grammatical changes, the full text of any modified proposal will be available for 15 days prior to its adoption from the person(s) designated in this Notice as the Contact Person and will be mailed to those persons who submit statements related to this proposal or who have requested notification of any changes to the proposal.

Proposed Regulatory Action

The Authority proposes amendments to Sections 10170.2, 10170.5, 10170.6 and 10170.14 of Title 4 of the California Code of Regulations (Regulations) as permanent regulations. The Regulations implement the Authority's responsibilities related to the Charter School Facility Grant Program.

Authority and Reference

Authority: Section 47614.5 of the Education Code. Section 47614.5(m) allows the Authority to adopt regulations in order to administer the Program.

Reference: Section 47614.5 of the Education Code, Section 47600, et seq., of the Education Code, Section 47605 of the Education Code, and Section 47612.5 of the Education Code. The Regulations include a number of the requirements of the Program contained in Section 47614.5. They also rely on specific provisions within the Charter Schools Act of 1992, commencing with Section 47600 of the Education Code.

Informative Digest/Policy Statement Overview

The California School Finance Authority (CSFA or Authority) was created in 1985 to assist school districts and community college districts in financing school construction projects (Education Code Section 17170, et seq.). The Authority is authorized to adopt bylaws for the regulation and conduct of its business, and is vested with all powers reasonably necessary to carry out its powers and responsibilities (Education Code Sections 17179 and 17180).

Pursuant to Education Code, Section 47614.5, the State Legislature directed the Authority to commence administration of the Charter School Facility Grant Program or SB740

Program (Program) with the 2013-14 fiscal year and to adopt regulations to implement the statute. Effective July 1, 2013, the Authority initiated its administration of the Program, and pursuant to Section 47614.5(m), a Certificate of Compliance was approved on August 6, 2014 by the Office of Administrative Law (OAL) (OAL Regulatory Action #2014-0625-01C).

The Program provides annual assistance with facilities rent and lease costs for pupils in California's charter schools. Since 2013-14, the Authority has made changes to the regulations that guide this Program. In 2022, the Program was subject to a State Audit per direction of the Joint Legislative Audit Committee. The Audit Report (2022-110R) found that CSFA administered the Program with fidelity to the law however, the Audit included six recommendations – three to be implemented by the Legislature and three to be carried out by the Authority at the programmatic level.

Of the three Authority level recommendations, one has been implemented, one has been resolved, and the third will be implemented once the regulations are in place and our reviews commence. The third recommendation relates to vetting program applicants for conflicts of interest (COI). CSFA's COI vetting process was developed in 2014 when the Authority first developed Program regulations. At that time, charter schools were subject to different COI standards. With the passage of SB 126 in 2018, conflict of interest standards for charter schools and their operators aligned with public schools including being subject to Government Code 1090 and the Political Reform Act of 1974.

The State Auditor directed the Authority to confer with the Fair Political Practices Commission (FPPC) regarding our COI reviews. After several conversations with the FPPC and State Treasurer's Office counsel working to implement the Auditor's recommendation, the Auditor concurred with the recommendation to focus on Program Applicant's Statement of Economic Interests filings (Form 700).

If adopted and the regulatory change is effective, CSFA will require Form 700 submissions with all new facility agreements to confirm school officials do not have a financial interest in either leased property or company and/or any services provided related to the Program.

Changes to Program Regulations Sections 10170.2, 10170.6, and 10170.14 are related to this new process. There is also an additional change to remove a 2018 prohibition on late applications and submission appealing related determinations or receiving funding.

Summary of Proposed Regulations

1. Section 10170.2. Definitions. (a) Amend "Applicant" with subcategories.
2. Section 10170.2. Definitions. (t) Amend "New Facility Agreement" which is related to conflict-of-interest reviews.
3. Section 10170.2. Definitions. (v) Added the definition of "School Official".
4. Section 10170.5. Application Submission. (a)(3) Remove subsection completely.
5. Section 10170.6. Content of Application. (c) and (d) Amended requirements related to New Facility Agreements, including appraisals and Form 700.
6. Section 10170.14. Conflict of Interest. (a) Remove the entire subsection.
7. Section 10170.14. Conflict of Interest. (b) Re-lettered as subsection (a).

8. Section 10170.14. Conflict of Interest. (c) Re-lettered and amended into new subsection (b). Removal of the prior remedial steps in subsection original (c)(1)-(5).
9. Section 10170.14. Conflict of Interest. (d) Changed into new subsection (c) with spelling correction.

Evaluation of Inconsistency and Incompatibility

The Authority performed a search in the California Code of Regulations and the proposed regulations are neither inconsistent nor incompatible with existing state regulation.

Citations for Proposed Regulations Mandated by Federal Laws or Regulations

Not applicable.

Other Matters Prescribed by Statutes Applicable to the Specific State Agency or to any Specific Regulation or Class of Regulations

No other matters prescribed by statute are applicable to the Authority or to any specific regulation or class of regulations pursuant to Section 11346.5(a) (4) of the California Government Code pertaining to the proposed regulations or the Authority.

Mandate on Local Agencies or School Districts

The Authority has determined the proposed regulations do not impose a mandate on local agencies or school districts.

Fiscal Impact

The Authority has determined that the Regulations do not impose any additional cost or savings to any state agency, any costs to any local agency or school district requiring reimbursement under Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code, any other non-discretionary cost or savings to any local agency, or any cost or savings in federal funding to the State.

On an annual basis, the State Legislature will issue appropriations for purposes of the Program grant funds based on availability of funding and demand for the Program. There will be no cost or savings to any State Agency pursuant to Government Code Sections 11346.1(b) or 11346.5(a)(6).

Initial Determination Regarding any Significant, Statewide Adverse Economic Impact Directly Affecting Business

The Authority has made an initial determination that the proposed regulations will not have any significant, statewide adverse economic impact directly affecting businesses, including the ability of California businesses to compete with businesses in other states.

Effect on Small Businesses

The Authority has determined that the adoption of the proposed regulations will not affect small business. The Program is a voluntary grant program available to charter schools to assist in the costs of charter school facilities.

Results of Economic Impact Analysis

Assessment of Effect on Jobs and Business Expansion, Elimination or Creation

Adoption of these regulations will not create or eliminate jobs within California, nor create new businesses or eliminate existing businesses within California. The proposed regulations could likely impact the expansion of businesses currently doing business within the State of California. The purpose of the proposed regulations is to set forth administrative criteria and requirements for administering a Grant program that will disburse funds to existing charter schools in need across the State of California for per pupil facilities funding.

Assessment of Effect to the Health and Welfare of California Residents, Worker Safety, and the State's Environment

The purpose of the program and proposed regulations is to set forth administrative criteria and requirements for administering this grant program. The Authority do not expect any anticipated benefits to worker safety or the State's environment. However, while each funding is different, funding for facilities may allow schools to free up assets potentially allowing actions resulting in improved worker safety. Additionally, there may be a positive effect on the welfare of some California residents. 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. The Authority does not anticipate any direct or indirect benefits to the health of California residents because of these proposed regulations

Cost Impacts on a Representative Private Person or Business.

The Authority is not aware of any costs impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed action.

Cost Impact on Housing

The proposed regulations will not have any effect on housing costs.

Reasonable Alternatives

In accordance with Government Code section 11346.5(a)(13), the Authority must determine that no reasonable alternative to the regulations considered by the Authority or that has otherwise been identified and brought to the attention of the Authority, would be more effective in carrying out the purpose for which the regulations are proposed or would be as effective and less burdensome to affected private persons than the regulations, or would be more cost-effective to affected private persons and equally effective in implementing the statutory policy or other provision of law. The Authority invites interested persons to present statements with respect to

alternatives to the proposed regulations during the written comment period.

Agency Contact Person(s)

Written comments, inquiries, and any questions regarding the substance of the proposed regulations shall be submitted or directed to:

Katrina Johantgen, Executive Director,
California School Finance Authority at:

300 S. Spring Street, Suite 8500

Los Angeles, CA 90013

(213) 620-4608

or

915 Capitol Mall, Suite 220-W

Sacramento, CA 95814

(916) 651-7710

or

kjohantgen@treasurer.ca.gov

or

csfa@treasurer.ca.gov

The following person is designated as a backup Contact Person for inquiries only regarding the proposed regulations:

Will Jarrell

915 Capitol Mall, Suite 220-W

Sacramento, CA 95814

(916) 651-7711

or

william.jarrell@treasurer.ca.gov

Written Comment Period

Any interested person, or their authorized representative, may submit written comments relevant

to the proposed regulations to the Authority. The written comment period on the regulations will end on April 27, 2026. All comments to be considered by the Authority must be submitted in writing to the Agency Contact Person identified in this Notice by that time. In the event that changes are made to the proposed regulations during the written comment period, the Authority will also accept additional written comments limited to any changed or modified regulations for 15 calendar days after the date on which such regulations, as changed or modified, are made available to the public pursuant to Title 1, Chapter 1, Section 44 of the California Code of Regulations. Such additional written comments should be addressed to the Agency Contact Person identified in this Notice.

Availability of Initial Statement of Reasons, Rulemaking File and Express Terms of Proposed Regulations

The Authority has established a rulemaking file for this regulatory action, which contains those items required by law. The file is available for inspection at the Authority's office at 915 Capitol Mall, Suite 220-W, Sacramento, California, during normal business hours. As of the date this Notice is published in the Notice Register, the rulemaking file consists of this Notice, the Initial Statement of Reasons, and the proposed text of the Regulations. Copies of these items are available upon request, from the Agency Contact Person designated in this Notice. The Sacramento address will also be the location for inspection of the rulemaking file and any other public records, including reports, documentation and other materials related to this proposed regulatory action. In addition, the rulemaking file, including the Initial Statement of Reasons and the proposed text, may be viewed on the Authority's Web site at www.treasurer.ca.gov/csfa.

Public Hearing

No public hearing regarding the proposed regulations has been scheduled. Anyone wishing a public hearing must submit a request in writing, pursuant to Section 11346.8 of the Government Code, to the Authority at least 15 days before the end of the written comment period. Such request should be addressed to the Agency Contact Person identified in this Notice and should specify the regulations for which the hearing is being requested.

15-Day Availability of Changed or Modified Text

After the written comment period ends and following a public hearing, if any is requested, the Authority may adopt the proposed regulations substantially as described in this Notice, without further notice. If the Authority makes modifications that are sufficiently related to the originally proposed text, it will make the modified text (with the changes clearly indicated) available to the public (including through the Authority's website described above) for at least fifteen (15) calendar days before the Authority adopts the proposed regulations, as modified. Inquiries about and requests for written copies of any changed or modified regulations should be addressed to the Agency Contact Person identified in this Notice.

Availability of Final Statement of Reasons

The Authority is required to prepare a Final Statement of Reasons pursuant to Government Code section 11346.9. Once the Authority has prepared a Final Statement of Reasons, a copy will be made available to anyone who requests a copy and will be available on the Authority's website described above. Written requests for copies should be addressed to the Agency Contact Person

identified in this Notice.