



**CALIFORNIA SCHOOL FINANCE AUTHORITY
901 P STREET, THIRD FLOOR, SUITE B
SACRAMENTO, CA 95814**

**Title 4, Division 15, Article 2,
CALIFORNIA CODE OF REGULATIONS
State Charter School Facilities Incentive Grant Program**

INITIAL STATEMENT OF REASONS

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.

In 2004, 2009, and 2014, the United States Department of Education approved grant awards to the Authority pursuant to the State Charter School Incentive Grant (Grant), authorized under Title V, Part B, Subpart 1 of the Elementary and Secondary Education Act, as amended by the No Child Left Behind Act of 2001. The Grant provided for \$49,250,000 in 2004, \$46,132,749 in 2009, and \$50,000,000 in 2014, to be awarded over five-year periods for the purposes of funding per-pupil facilities aid programs for California charter schools. The Authority was recently awarded a \$30 million grant award in Fall 2024. Per the Authority's application to the Department of Education, the Authority is proposing three more funding rounds of the Program starting for the 2025-26 school year. Grant funds are applied toward a charter school's annual costs of rent, lease, mortgage, debt service, or Proposition 39 pro-rata payments for facilities, or towards the costs of purchase, design, construction, and/or renovation of a new or existing facility.

PROBLEM STATEMENT

Sections 17179 and 17180 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 expressly granted or imposed under Chapter 18, as well as the specific power to adopt guidelines for grants, bonds, and other evidence of indebtedness. Without these amended regulations, the Authority would not have uniform standards and guidelines to administer the Program and ensure that Applications are evaluated in a consistent and fair manner, and Applicants do not have guidelines to direct them through the Application process and post-award compliance.

ANTICIPATED BENEFITS

The proposed regulations provide specificity and guidance for applicant charter schools to permit an informed decision 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



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SPECIFIC PURPOSE OF, AND RATIONALE FOR, EACH PROPOSED AMENDMENT

Section 10176. Definitions. (b) – Update the revision date on the Application to reflect the changes once regulations are approved.

Section 10176. Definitions. (f) – Update the reference to the federal regulation code on “Charter School” and removed the out-of-date references.

Section 10177. Eligible Applicant. (g) – Remove repetitive definition and added reference to Definition Section.

Section 10179. Maximum Grant. (a)(1) – Remove “seven hundred fifty dollars (\$750)” and add “one thousand five hundred (\$1500)”.

Section 10179. Maximum Grant. (b)(1) – Remove “one thousand dollars (\$1,000)” and add “two thousand (\$2,000)”.

Section 10180. Application Submission. (a) – Remove “during regular business hours” as applications are submitted online.

Section 10180. Application Submission. (c) – Remove “March” and add “April 3rd” to designate new opening date. Also add “Deadline dates will be no earlier than the first week of June of each year.” to provide a general expectation of when deadline dates will take place.

Section 10181. Content of Application. (a) – Update the revision date on the Application to reflect the changes once regulations are approved.

Section 10181. Content of Application. (f) – Update the form number for the Authority’s Legal Status Questionnaire.

Section 10181. Content of Application. (j)(2) – Remove repetitive statute references that are established in Definition Section.

Section 10182. Evaluation Criteria. (b) – Remove Overcrowding School Site measure as it is defunct and replace with the Comprehensive Support and Improvement and the Additional Targeted Support and Improvement measure. This is provided by CDE related to federal guidelines.



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Section 10182. Evaluation Criteria. (c) – Remove Non-Profit measure as all CA charter school must operate as non-profit or direct government entities. This is replaced with additional equity measures using the four largest student demographic measures outside FRPM: English Learners, Foster Youth, Homeless/Unhoused, and Students with Disabilities. An applicant who serves a larger percentage of the groups listed above than the State as a whole, will receive ~~5~~ 2.5 points for each group. Those that serve the same percentage will receive ~~2~~ 1 points. And finally, those who serve less will receive 0 points. These figures will be based on the State’s most recent CALPADS or CBEDS report.

Section 10182. Evaluation Criteria. (d) – Updating this section as CDE’s Smarter Balanced Assessment provided additional information. Applicants will now be given points based on both achievement level and progress from the prior year. The points will be determined using the following:

Level

Very High – 5 points

High – 3 points

Medium – 1 point

Low/Very Low – 0 points

Progress

Increase Significantly – 5 points

Increased – 3 points

Maintained – 1 point

Declined/ Increase Significantly – 0 points

Section 10182. Evaluation Criteria. (e) – Updating this section as CDE’s Smarter Balanced Assessment provided additional information to determine School Choice. Applicants will now be given points based how they compare to the State in a measure called “Distance from Standard”. Points will be assigned based on the percentage difference between the two measures.

Section 10183. Award Methodology. (a) – Directly reference Crierta sections referenced for tiebreaking. Changing “mailing” to “submission” for timing as the application is online now. This also is the reason for the removal of the last sentence.

Section 10185. Obligation and Expenditure of Grant Funds. (b)(3) – Updated to reflect the closure of those funding rounds.

Section 10185. Obligation and Expenditure of Grant Funds. (b)(4) – Added to reflect the upcoming funding rounds funded through the 2024 grant award.



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Section 10190. Audits and Conflicts of Interest. (c) – Updated federal reference.

Section 10190. Audits and Conflicts of Interest. (d) – Remove repetitive statute references that are established in Definition Section.

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

The Authority did not rely on any technical, theoretical, and/or empirical studies, reports, or Page 3 of 4 Charter School Facilities Credit Enhancement Grant Program 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.

The proposed regulations could likely impact the expansion of businesses currently doing business within the State of California. This program will provide grant funding for charter school facilities. These facilities are often an expansion of the associated charter school organizations to serve more students.

Lastly, 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 provide grant funding 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



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Program applicants are expected to comply with federal regulations related to conflicts of interest. These regulations are stated in proposed regulations Section 10198. Specifically, applicants must comply with the following federal regulatory code as required by the United States Department of Education as well as general conflict of interest compliance for federal grants.:

34 CFR 75.525(a) which prohibit a person from participating in an administrative decision regarding a project if (a) the decision is likely to benefit that person or their immediate family members; and (b) the person is a public official or has a family or business relationship with the Awardee.

34 CFR 75.525(b) which provides further that an Awardee may not permit any person participating in a project to use their position for a purpose that is - or gives the appearance of being - motivated by a desire for a private or financial gain for that person or for others.

2 CFR 200.318 through 2 CFR 200.327. These standards require federal grant Awardees to develop written procurement procedures and to conduct all procurement transactions in a manner that provides, to the maximum extent possible, open, and free competition. No employee, officer, or agent of the Awardee may participate in the selection, award, or administration of any contract supported by federal funds if a real or apparent conflict of interest exists.

The full text of the federal regulations referenced above are found in the Code of Federal Regulations, which is available online at <https://www.ecfr.gov/> .