

Date of Hearing: May 6, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

AB 2316 (Hoover) – As Amended April 6, 2026

Policy Committee: Education

Vote: 9 - 0

Urgency: No

State Mandated Local Program: No

Reimbursable: No

SUMMARY:

This bill provides, beginning January 1, 2028, for an undue financial burden exemption authorizing the State Allocation Board (SAB) to reduce the 50% local share match required under the existing Charter School Facilities Program (CSFP) and increase the state grant amount by a corresponding amount.

FISCAL EFFECT:

- 1) One-time 2024 State School Facilities Fund costs of \$102,200 for the Office of Public School Construction (OPSC) to conduct interest holder meetings, update regulations, and support necessary programming updates of OPSC's online application process to reflect additional undue burden determination and adjustments for CSFP.
- 2) Ongoing 2024 State School Facilities Fund costs of an unknown amount, potentially in the high hundreds of thousands, for the OPSC to hire additional staff responsible for additional workload associated with grant increase requests, recommendations, and potential previous and future grant recipients requesting one or more undue financial burden local share adjustments during their 30-year loan repayment term.

Additionally, OPSC notes to the extent this bill results in an increase in eligible individual applicants due to the local share adjustment it may expose the 2024 State School Facilities Fund to significant cost pressures, possibly in the hundreds of thousands to millions of dollars, representing a commensurate reduction in funds available for new projects. OPSC anticipates about \$627.4 million in principal and estimated interest loan repayments returned to the CSFP over the next several decades. OPSC received 116 applications from 91 charter schools requesting \$2.78 billion in state funding during the most recent CSFP application filing round for \$600 million authorized by the passage of Proposition 2 in 2024.

- 3) Ongoing special fund costs of an unknown but likely significant amount, possibly up to approximately \$600,000 annually, for the California School Finance Authority (CSFA), administered within the State Treasurer's Office (STO), to administer a new hardship determination framework, coordinate with SAB, California Department of Education (CDE), and the Fiscal Crisis Management and Assistance Team (FCMAT), revise financial models and tracking tools, and process increased volume of hardship requests.

COMMENTS:

- 1) **Background. *Charter School Facilities.*** While charter schools are governed by nonprofit boards and receive funding through the Local Control Funding Formula (LCFF), similar to traditional public schools, they do not have access to the same financing tools available to school districts, such as local general obligation bonds. Therefore, charter schools often face significant barriers when securing and paying for facilities. Unlike school districts, charter schools typically must lease or purchase facilities on the private market, and new schools often face facility costs before receiving their first LCFF apportionment.

To help charter schools confront this challenge the state has established several charter school facilities provisions and funding sources through Proposition 39, the Charter School Facility Grant Program, the Charter Schools Revolving Loan Fund, and the Charter School Facilities Program (CSFP) as part of the School Facilities Program (SFP).

School Facilities Program. State Bond funds administered through the SFP fund much of K-12 school construction both for new builds and rehabilitation or modernization of existing facilities, with \$54 billion total in state General Obligation bonds approved by the voters since the inception of the SFP in 1998. OPSC administers these funds as part of the SFP under the direction of the SAB, a ten-member body comprised of the Department of Finance, the Director of the DGS, the Superintendent of Public Instruction (SPI), three Senators, three Assemblymembers, and a Governor's appointee. Current law charges the SAB with apportioning state funds to school districts for construction, modernization and repair of public K-12 school facilities, adopting policies, and overseeing school facility programs. Current law allows for the reduction of a school district's required 50% local share match under the SFP if it can demonstrate undue financial burden but does not provide this option for charter schools.

Parity Between Charter Schools and School Districts. Under current law, school districts have several financing options to meet the required local share match required under the SFP, such as voter-approved local bonds, which a school district is not required to repay. Conversely, charter schools often must borrow millions of dollars to meet their local share match requirement and repay those funds with interest. Therefore, proponents of this bill, such as the California Charter Schools Association (CCSA), state this bill "would create parity between school districts and charter public schools by allowing charters to access hardship relief, like school districts." However, opponents of this bill warn it could create unintended consequences limiting funding to current eligible applicants and the sequestering of public education funding by private interests. According to the Alameda County Office of Education:

The existing waiting list for facilities matching funds is already extensive, with some completed projects waiting 7 to 10 years for reimbursement. This proposal would divert critical resources away from other charter schools currently in the program. Finally, we are concerned about reducing matching requirements for charter schools managed by Charter Management Organizations (CMOs). Many CMOs use subsidiary Limited Liability Corporations to own or manage assets. If a charter school closes, these facilities, potentially renovated using increased state dollars, could remain private assets held for profit rather than returning to the public.

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