

## ASSEMBLY THIRD READING

AB 2316 (Hoover)

As Amended April 6, 2026

Majority vote

**SUMMARY**

Authorizes the State Allocation Board (SAB) to reduce the 50% local share matching obligation or lease payments for Charter School Facilities Program (CSFP) grant applications, and correspondingly increase the state grant amount, as necessary for the charter school to reach a reasonable level of debt service. Specifically, *this bill*:

**Major Provisions**

- 1) Requires, commencing January 1, 2028, the California School Finance Authority (CSFA) to notify the SAB if the 50% local share matching obligation or lease payments for an application for the CSFP would result in the applicant charter school suffering an undue financial burden, as determined by regulations adopted by the SAB.
- 2) Authorizes the SAB to reduce the 50% local share matching obligation or lease payments for CSFP grant applications, and correspondingly increase the state grant amount, as necessary for the charter school to reach a reasonable level of debt service.
- 3) Requires the SAB and the CSFA to approve "undue hardship" regulations in consultation with the California Department of Education, and the Fiscal Crisis and Management Assistance Team, establishing uniform terms and conditions for the method for determining whether the 50% local share matching obligation or lease payments for a CSFP grant would result in the charter school suffering an undue financial burden.
- 4) Requires the SAB and CSFA, in developing regulations to determine definition of/criteria for "undue hardship" and eligibility for the CSFP financial hardship to require the applicant and the charter school to provide specified information.

**COMMENTS**

*Charter schools and challenges with facility access.* Charter schools are public schools operated independently of school districts under the oversight of a charter authorizer. A charter authorizer is typically a school district, but in specified circumstances may be a county office of education (COE). Charter schools are governed by nonprofit boards and receive funding through the Local Control Funding Formula (LCFF), similar to traditional public schools. However, charter schools do not have access to the same financing tools available to school districts, such as local general obligation (GO) bonds, and 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 startup schools often face facility costs before receiving their first LCFF apportionment.

*Charter School Facilities Program.* AB 14 (Alpert), Chapter 935, Statutes of 2002, created the

CSFP. Through the passage of Propositions 47 (2002), 55 (2004), 1D (2006), 51 (2016), and 2 (2024) \$2 billion has been made available for the new construction of charter school facilities and the rehabilitation of existing school district facilities for charter school use. This program

allows charter schools that provide site-based instruction to access state facility funding directly or through the school district where the project will be physically located. Current law requires facilities funded for the CSFP to have a 50% local share matching obligation that may be paid by the applicant through lease payments in lieu of the matching share.

The CSFP permits a charter school, or school district filing on behalf of a charter school, to apply for a preliminary apportionment (reservation of bond authority) for new construction projects and rehabilitation of district owned existing facilities that are at least 15 years old. If the application is successful, the charter school that applies independently would receive the funding. If a school district applies on behalf of a charter school, the district would receive the funding. To qualify for funding, a charter school must be deemed financially sound by the CSFA. The preliminary apportionment for a CSFP project must be converted within a four-year period to an adjusted grant apportionment meeting all the School Facility Program (SFP) criteria, unless a one-year extension is granted.

*The CSFA is currently oversubscribed.* In coordination with the CSFA, and the California Department of Education (CDE), the Office of Public School Construction (OPSC) held a CSFP filing round to accept applications for preliminary apportionments between July 3, 2025 and October 30, 2025, using \$600 million for the CSFP authorized by Proposition 2. OPSC received 116 applications from 91 charter schools requesting approximately \$2.78 billion in state funding during this filing round. Applications are prioritized using preference points, and OPSC anticipates presenting successful applications from this filing round to the SAB by mid-2026.

This bill would create a financial hardship authorization within the CSFP for charter schools unable to meet the 50% local match requirement, therefore authorizing a reduced local match requirement and a greater state grant amount. It is worth contemplating the impact of this chance could both allow some charter schools to access the CSFP grant funds who may be currently unable to meet the local match requirement and potentially reduce the total number of grant awards if more funds are provided to specific projects that require financial assistance.

*Available public support for charter school facilities and capital.* To address these charter school facility challenges, the state has developed several programs to support charter schools with facilities and capital needs:

- 1) *Proposition 39 (2000).* Requires school districts to provide reasonably equivalent facilities to charter schools serving students who reside in the district. While this mandate helps some charter schools access district space at no cost, it does not guarantee long-term stability or availability;
- 2) *Charter School Facility Grant Program (also known as the SB 740 program).* Provides per-pupil reimbursements for rent and lease expenses for eligible charter schools, particularly those serving low-income students; and
- 3) *Charter Schools Revolving Loan Fund (CSRLF).* The CSRLF Program provides low-cost loans of up to \$500,000 to charter schools, with priority given to schools opening in the current fiscal year. Money loaned under the CSRLF Program is required to only be used to meet the purposes of the charter granted under their petition, which may include facilities.

These programs support long-term facility access, but they do not address short-term cash flow needs, particularly in the months leading up to a charter school's opening.

*Financial Hardship for school districts.* Financial hardship assistance is available for those school districts that cannot provide all or part of their matching share of specified SFP projects. COEs automatically qualify for financial hardship due to their inability to levy local bond funds. To receive financial hardship assistance, a school district must have made all reasonable efforts to raise local funding and must also demonstrate that it is unable to contribute all or a portion of the matching share requirement. If the school district meets the financial hardship criteria, it is eligible for financial assistance for new construction, modernization, and/or facility hardship projects. It may also be eligible for a separate apportionment for the following: for new construction, modernization, or facility hardship projects, an early apportionment for design costs; and for new construction projects, an early apportionment for site acquisition.

A school district seeking financial assistance may submit a financial hardship application before applying for funding for either a new construction, modernization, or Facility Hardship grant request. To obtain this approval, the school district must provide verification that a reasonable effort was made to meet the school district's matching share requirement, and must have confirmation from the OPSC that the school district is unable to contribute some or all the matching share requirement.

Current law requires that a school district seeking financial hardship assistance demonstrate that all reasonable efforts have been made to raise local revenues for the SFP matching requirement. The SAB adopted regulations that set criteria to determine that this requirement is met. The

school district must be levying developer fees at the maximum rate justified by law and must verify that it meets at least one of the following criteria: the current indebtedness of the school district is at least 60% of the school district's total bonding capacity; a school district with a total bonding capacity of less than \$5 million meets this requirement regardless of the level of indebtedness; the school district has had a successful registered voter bond election for at least the maximum amount allowed under Proposition 39 within the previous two years from the date of the last financial hardship review; a county superintendent of schools automatically meets the reasonable effort; and other evidence of reasonable effort.

### **According to the Author**

According to the author, "AB 2316 creates necessary parity between traditional public schools and charter public schools to ensure charter public schools have access to the same financial hardship relief. Our charter public schools provide flexibility, innovation, and most importantly, serve the same communities our traditional public schools serve. When charter public schools are left without this support, our students suffer the results of that financial burden. Those students deserve our same support."

### **Arguments in Support**

The California Charter School Association writes, "Charter public schools applying for the state bond program must raise 50% of project costs, like school districts. However, school districts have more tools to obtain this financing, such as the ability to generate funds through voter-approved local bonds or through developer fees, neither of which must be repaid by a school district. School districts in financial distress can also apply for a 'financial hardship' designation to reduce this 50% matching requirement. In contrast, charter schools cannot issue local bonds, are often excluded from school district local bond funding, cannot levy developer fees, but are still not allowed to apply for financial hardship. Charter public schools, in most cases, must borrow the 50% match share required to participate in the state bond program, and repay this

financing with interest. Due to the high costs of school facilities construction in California, charter public schools often must borrow \$20 million or more to participate in state bond program for school facilities projects. The debt service on financing of \$20 million or more is too burdensome for many charter public schools.

As a result, charter public schools face more difficult financial challenges than school districts in raising matching bond funding. This results in many charter schools, who desperately need facilities, being completely unable to access the state's school facilities bond program. AB 2316 would create parity between school districts and charter public schools by allowing charters to access hardship relief, like school districts."

### **Arguments in Opposition**

None on file

### **FISCAL COMMENTS**

According to the Assembly Appropriations Committee:

- 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.

## VOTES

**ASM EDUCATION: 9-0-0**

**YES:** Patel, Hoover, Alvarez, Bonta, Alanis, Garcia, Lowenthal, Pellerin, Zbur

**ASM APPROPRIATIONS: 15-0-0**

**YES:** Wicks, Hoover, Aguiar-Curry, Calderon, Caloza, Dixon, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache, Ta, Tangipa

## UPDATED

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