SENATE COMMITTEE ON APPROPRIATIONS
Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

AB 2316 (Hoover) - School facilities: Charter School Facilities Program: undue financial burden

Version: April 6, 2026	**Policy Vote:** ED. 7 - 0
Urgency: No	**Mandate:** No
Hearing Date: August 3, 2026	**Consultant:** Lenin Del Castillo

Bill Summary: This bill authorizes the State Allocation Board (SAB) to reduce a charter school's required 50% local share under the Charter School Facilities Program (CSFP) when the California School Finance Authority (CSFA) determines the obligation would impose an undue financial burden, and to correspondingly increase the state grant amount. The bill also requires the adoption of regulations establishing criteria for making that determination.

Fiscal Impact:

- The Office of Public School Construction (OPSC) estimates one-time costs of approximately $293,000 in existing bond funds to comply with the bill's requirements, including $218,000 to conduct interest holder meetings and update regulations and $75,000 in programming updates for its online application system. The OPSC also anticipates additional workload to review grant increase requests. Depending on the number and frequency of these requests, the costs could be in the high hundreds of thousands of dollars in bond funds each year.

- The OPSC indicates that by reducing the local share for charter school applicants and thereby increasing the amount of state funding that these applicants can qualify for, this bill could create increased pressures on CSFP funds in the hundreds of thousands to millions of dollars, thereby reducing the total number of projects that could be funded in the future. 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.

- The California School Finance Authority estimates ongoing special fund costs ranging from $1.3 million to $2.3 million each year to administer a new hardship determination framework while coordinating with the SAB, California Department of Education (CDE), and the Fiscal Crisis Management and Assistance Team (FCMAT). The exact costs will depend on the number of additional staff that are necessary to implement the bill's provisions.

Background: Existing law establishes the CSFP within the School Facility Program to provide funding for eligible charter school facilities projects. It authorizes eligible charter school projects to include new construction, rehabilitation of an existing school facility for charter school use, retrofitting an existing building for charter school purposes, purchasing a building, or retrofitting a building that has been purchased by a charter school, subject to program limits. The program requires projects that are funded to have a 50 percent local share matching obligation and allows the charter school applicant to satisfy the 50 percent local share through lease payments in lieu of an up-front matching contribution.

Existing law requires the lease payment schedule to be calculated by amortizing one-half of the total approved project costs, minus any lump-sum payments, over a reasonable period not to exceed 30 years, together with interest. It also requires CSFA to set the applicable interest rate using the lower of specified state investment or bond-related rates, but prohibits the rate from being set below 2 percent.

Proposed Law: This bill creates, beginning January 1, 2028, an undue financial burden process within the CSFP. It provides that if the 50% local share matching obligation or lease payments would cause the applicant charter school to suffer an undue financial burden, the CSFA must notify SAB.

This bill authorizes the SAB, upon the notification, to reduce the charter school's 50 percent local share matching obligation or lease payments. It also requires the SAB to correspondingly increase the state grant amount as necessary for the charter school to reach a reasonable level of debt service.

This bill requires undue financial burden to be determined through regulations adopted pursuant to the CSFP statute and based on specified factors, including state and federal school facility grants received by the charter school and local general obligation bond funds provided by the chartering authority to the charter school for the eligible project.

This bill requires an applicant seeking this reduction to demonstrate specified criteria, including whether the charter school applied for all other state and federal school facility grants for which it is eligible during the 12 months before submitting its preliminary apportionment application and if the CSFA and SAB published a list of available state and federal school facility grants for charter schools at least 12 months before the eligible project application became available.

This bill requires the transfer information to be reported both at the time of the preliminary apportionment application and again as a condition of receiving the final apportionment.

This bill requires the local share matching obligation or lease payments to be updated by CSFA and SAB based on the most current information provided.
This bill requires CSFA, in consultation with SAB, to adopt regulations establishing the method for determining whether the 50% local share or lease payments would impose an undue financial burden. It also requires the CSFA and SAB to adopt the method in consultation with the California Department of Education (CDE) and the Fiscal Crisis and Management Assistance Team (FCMAT).

Staff Comments: This bill establishes a new process in which CSFA must determine on a case-by-base basis that the local share or lease payments would impose an undue financial burden on a charter school applicant under the CSFP. The SAB may then reduce the local obligation and increase the state grant amount only as necessary to reach a reasonable level of debt service. 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."

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