THIRD READING

Bill No: AB 2316
Author: Hoover (R)
Amended: 8/13/26 in Senate
Vote: 21

SENATE EDUCATION COMMITTEE: 7-0, 6/24/26
AYES: Pérez, Ochoa Bogh, Cabaldon, Choi, Cortese, Gonzalez, Reyes

SENATE APPROPRIATIONS COMMITTEE: 7-0, 8/13/26
AYES: Cervantes, Seyarto, Cabaldon, Dahle, Grayson, Richardson, Wahab

ASSEMBLY FLOOR: 76-0, 5/28/26 - See last page for vote

SUBJECT: School facilities: Charter School Facilities Program: undue financial burden

SOURCE: California Charter Schools Association

DIGEST: This bill 1) authorizes the State Allocation Board (SAB), for Charter School Facilities Program (CSFP) filing rounds opened on or after January 1, 2028, to reduce a charter school's required local share under the 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; and 2) requires the adoption of regulations establishing criteria for making that determination.

ANALYSIS:

Existing law:

1) Establishes the Leroy F. Greene School Facilities Act of 1998, administered by SAB, to provide state bond funding for eligible K-12 school facility construction and modernization projects.

2) Establishes the CSFP within the School Facility Program to provide funding for eligible charter school facilities projects.

3) 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.

4) Prohibits an allocation for a school facility that is less than 15 years old.

5) Requires CSFP projects to comply with public school construction requirements applicable to school district projects, including plan approval, site approval, toxic substance review, and Field Act requirements.

6) Requires CSFP-funded facilities to have a 50% local share matching obligation.

7) Allows the charter school applicant to satisfy the 50% local share through lease payments in lieu of an up-front matching contribution.

8) Requires CSFA, in consultation with SAB, to adopt regulations establishing uniform terms and conditions for CSFP projects, including:

   a) How an applicant will pay its local matching share;

   b) How lease payments in lieu of the local share will be calculated;

   c) How to determine whether a charter school is financially sound;

   d) Security provisions for state-funded facilities; and

   e) How CSFP funding integrates with other school facility funding procedures.

9) Requires the lease payment schedule to be calculated by amortizing the applicable local share matching obligation of the total approved project costs, minus any lump-sum payments, over a reasonable period not to exceed 30 years, together with interest.

10) 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%.

This bill:

1) Creates, beginning January 1, 2028, for filing rounds opened on or after January 1, 2028, an undue financial burden process within the CSFP.

2) Provides that, if the 50% local share matching obligation or lease payments would cause the applicant charter school to suffer an undue financial burden, CSFA must notify SAB.

3) Authorizes SAB, upon that notification, to reduce the charter school's 50% local share matching obligation or lease payments.

4) Requires SAB to correspondingly increase the state grant amount as necessary for the charter school to reach a reasonable level of debt service.

5) Requires undue financial burden to be determined through regulations adopted pursuant to the CSFP statute and based on specified factors, including:

   a) State and federal school facility grants received by the charter school;

   b) Local general obligation bond funds provided by the chartering authority to the charter school for the eligible project;

   c) Specified transfers of funds or assets by the charter school; and

   d) The charter school's borrowing capacity and indebtedness.

6) Requires an applicant seeking this reduction to demonstrate all of the following:

   a) 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;

   b) 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;

   c) The charter school made a written request to its chartering authority to include the eligible project in the chartering authority's next local general obligation bond;

   d) The amount of local general obligation bond funds the chartering authority provided to the charter school in the previous five years, and how those funds were used; and

e) The amount and purpose of transfers of funds or assets to other individuals or organizations during the previous five years that exceeded $500,000 or 5% of the charter school's total revenue and other sources, whichever is less.

7) 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.

8) Requires the local share matching obligation or lease payments to be updated by CSFA and SAB based on the most current information provided.

9) Defines "chartering authority" for these purposes as the school district governing board, county board of education, or other district or county board designated by the State Board of Education as the chartering authority.

10) 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.

11) Requires CSFA and SAB to adopt that method in consultation with the California Department of Education (CDE) and the Fiscal Crisis and Management Assistance Team (FCMAT).

Comments

Need for the bill. 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."

How the CSFP currently works. The CSFP is the state's primary capital program for charter school facility construction and rehabilitation. Although charter schools are public schools and receive operational funding through the Local Control Funding Formula (LCFF), they generally do not have the same direct access to local capital financing tools that school districts have. A school district may seek voter approval for a local general obligation bond and may use local bond proceeds as the local match for state facility funding. A charter school generally cannot independently place a local general obligation bond before voters, and in many cases must lease, purchase, or finance facilities through other means.

The CSFP was designed to give eligible charter schools access to state school bond funds, but it retains the basic state-local cost-sharing structure used in the broader School Facility Program. A charter school facility project generally receives state support for 50% of eligible project costs, while the applicant is responsible for the other 50% local share.

In practice, the charter school's local share does not always have to be paid as an up-front cash match. Existing law allows the applicant to satisfy the local share through lease payments in lieu of the matching share. Those lease payments are calculated by amortizing one-half of the total approved project costs, minus any lump-sum payment, over a period not to exceed 30 years, with interest. Thus, for many charter schools, the program operates less like a traditional grant-only program and more like a combined grant and state-financed repayment structure: the state provides facility funding, but the charter school is expected to repay the local share over time.

CSFA plays a central role in determining whether the charter school is financially sound and in establishing the repayment structure, while SAB allocates state bond authority and oversees the broader school facilities program. Projects must also comply with the public school construction standards that apply to school district projects, including Field Act and other approval requirements.

The bill addresses a real difference between school district and charter school access to local capital. The core policy argument for the bill is straightforward: school districts and charter schools both face a 50% local share requirement for state facility funding, but they do not have equal ability to generate that local share. School districts can seek voter-approved local general obligation bonds and may levy developer fees. Charter schools generally cannot do so on their own and may instead need to borrow or make long-term lease payments from operating funds.

That distinction matters because a 50% match is not merely a technical program requirement. For a high-cost facility project, the local share can represent millions of dollars in long-term repayment obligations. If those obligations must be paid from the charter school's operating budget, they can affect the school's fiscal condition and potentially reduce resources available for instruction, staffing, student supports, or program stability.

This bill is not a blanket waiver of the charter school local share. The bill does not automatically reduce the 50% match for all charter schools. Instead, it creates a case-by-case process in which CSFA must determine that the local share or lease payments would impose an undue financial burden, and SAB may then reduce the local obligation and increase the state grant amount only as necessary to reach a reasonable level of debt service.

The bill also includes several safeguards intended to ensure that the applicant has pursued other available facility resources before seeking additional state support. The charter school must apply for other eligible state and federal facility grants, request inclusion in the chartering authority's next local general obligation bond, disclose local bond funds received in the prior five years, and disclose significant transfers of funds or assets to other individuals or organizations.

These requirements appear designed to prevent the hardship process from becoming an automatic subsidy and to ensure that state funds are not increased until the applicant's broader financial picture has been reviewed.

How will "undue financial burden" and "reasonable level of debt service" be defined. The bill leaves the central policy standard to regulations. That is understandable because CSFA, SAB, CDE, and FCMAT have the technical expertise to evaluate debt capacity, operating margins, enrollment stability, reserves, related-party transactions, and other fiscal factors. However, the practical effect of the bill will depend almost entirely on how those standards are developed.

If the regulations are too narrow, the bill may provide little meaningful relief to charter schools that genuinely cannot carry the required debt service. If the regulations are too broad, the state could end up increasing grants for schools that have some ability to contribute a local share, thereby reducing the amount of bond authority available for other eligible projects.

The Legislature may wish to consider what debt-service benchmark is envisioned, whether it will be based on total revenues, unrestricted revenues, enrollment stability, projected LCFF growth, reserve levels, or other indicators, and how CSFA and SAB will distinguish between temporary cash-flow pressure and a structural inability to support the local share.

The bill could improve access for some charter schools but may reduce the number of projects funded. Because the bill would increase the state share for qualifying projects, it could allow some charter schools to participate in CSFP that otherwise could not afford the 50% local share. That is the bill's main access benefit.

At the same time, state school bond authority is finite. Increasing the state grant for one project necessarily leaves fewer dollars available for other projects. This is particularly significant in an oversubscribed program. If many applicants qualify for reduced local share obligations, the state could fund fewer total charter school facility projects with the same amount of bond authority.

This is not necessarily a reason to reject the bill, but it is the central tradeoff: the bill may deepen state support for the charter schools with the greatest fiscal need, while reducing the total number of projects that can be funded.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

According to the Senate Appropriations Committee:

- 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.

SUPPORT: (Verified 8/14/26)

California Charter Schools Association (source)
Achieve Charter Schools
Albert Einstein Academies Charter Schools
Alder Grove Charter School

Allegiance Steam Academy
Alliance College-Ready Public Schools
Alma Fuerte Public School
Alpha Public Schools
Anawakalmekak
Aplus+
Ararat Charter School
Aspen Public Schools
Aspire Public Schools
Big Picture Educational Academy
Birmingham Community Charter High School
Blue Oak Charter School
Bridges Preparatory Academy
Brookfield Engineering Science Technology
Bullis Charter School
California Creative Learning Academy
California League of United Latin American Citizens
California Montessori Project
California Pacific Charter Schools
Camino Nuevo Charter Academy
Catch Prep Charter High
Champs Charter High School of the Arts
CHIME Institute
Community Learning Center Schools
Compass Charter Schools
Core Butte Charter School
CWC Los Angeles
Da Vinci Schools
Discovery Charter Schools
Ednovate
Education for Change
Edward B. Cole Academy
El Camino Real Charter HS
Environmental Charter Schools
Equitas Academy Charter Schools
Excel Academy Charter School
Excelsior Charter Schools
Extera Public Schools
Feaster (Mae L.) Charter School
Fenton Charter Public Schools

Gabriella Charter Schools
Gateway College and Career Academy
Girls Athletic Leadership Schools Los Angeles
Goethe International Charter School
Green DOT Public Schools California
Griffin Technology Academies
Guajome Schools
Harvest Ridge Cooperative Charter School
Hawking Steam Charter School
High Tech Los Angeles
Howard Gardner Community School
ICEF Public Schools
Ingenium Schools
Intellectual Virtues Academy High
Invictus Leadership Academy
Isana Academies
Ivy Academia
James Jordan Middle School
JCS Family of Charter Schools
Julia Lee Performing Arts Academy
Kairos Public Schools
Kidinnu Academy
Lake County International Charter
Larchmont Charter School
Learn4Life
Learn4Life Marconi Learning Academy
Literacy First Charter Schools
Los Angeles Leadership Academy
Magnolia Public Schools
Meadows Arts and Technology Elementary School
Montague Charter Academy
Multicultural Learning Center
Museum School Collaborative
Navigator Schools
New Academy of Sciences and Arts
New Los Angeles Charter Schools
New Village Girls Academy
New West Charter
Ocean Charter School
Odyssey Charter Schools

Orange County Academy of Sciences and Arts
Orange County School of the Arts / California School of the Arts Foundation
Pacoima Charter School
Para Los Ninos
Pasadena Rosebud Academy Charter School
Phoenix Charter Academy College View
Port of Los Angeles High School
Puente Learning Center
River Charter Schools
River Oaks Academy Charter School
Rocklin Academy Family of Schools
Sage Oak Charter Schools
Scholarship Prep Charter School
Sebastopol Independent Charter
Shasta Charter Academy
Sherman Thomas Charter School
Sherwood Montessori
Soleil Academy
Sparrow Academy
Springs Charter Schools
Stem Prep Schools
Summit Public Schools
The Foundation for Hispanic Education
The Learning Choice Academy
The O'Farrell Charter Schools
Urban Charter Schools Collective
Valley Charter School
Valley International Preparatory High School
Valley Life Charter Schools
Vibrant Minds Charter School
Vista Charter Public Schools
Voices College Bound Language Academies
Westbrook Academy
Wish Charter Schools
YES Charter Academy
YPI Charter Schools

OPPOSITION: (Verified 8/14/26)

Los Angeles County Democratic Party

ASSEMBLY FLOOR: 76-0, 5/28/26
AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Castillo, Chen, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Flora, Fong, Gabriel, Gallagher, Garcia, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Johnson, Kalra, Krell, Lackey, Lowenthal, Macedo, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Ramos, Ransom, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta, Tangipa, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas
NO VOTE RECORDED: Jackson, Lee, Quirk-Silva, Celeste Rodriguez

Prepared by: Ian Johnson / ED. / (916) 651-4105
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