

---

UNFINISHED BUSINESS

---

Bill No: SB 631  
Author: Richardson (D)  
Amended: 9/5/25 in Assembly  
Vote: 21

---

SENATE EDUCATION COMMITTEE: 7-0, 4/30/25  
AYES: Pérez, Ochoa Bogh, Cabaldon, Choi, Cortese, Gonzalez, Laird

SENATE APPROPRIATIONS COMMITTEE: 5-1, 5/23/25  
AYES: Caballero, Seyarto, Cabaldon, Grayson, Richardson  
NOES: Wahab  
NO VOTE RECORDED: Dahle

SENATE FLOOR: 38-0, 5/28/25  
AYES: Allen, Alvarado-Gil, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Choi, Cortese, Dahle, Durazo, Gonzalez, Grayson, Grove, Hurtado, Jones, Laird, McGuire, McNerney, Menjivar, Niello, Ochoa Bogh, Padilla, Pérez, Richardson, Rubio, Seyarto, Smallwood-Cuevas, Stern, Strickland, Umberg, Valladares, Wahab, Weber Pierson, Wiener  
NO VOTE RECORDED: Limón, Reyes

ASSEMBLY FLOOR: 60-0, 9/9/25 – Roll call is not available

---

**SUBJECT:** Charter School Revolving Loan Fund

**SOURCE:** California State Treasurer

---

**DIGEST:** This bill makes several changes to the Charter School Revolving Loan Fund (CSRLF), including increasing the maximum loan amount for charter schools, expanding loan eligibility and establishing loan prioritization criteria, modifying repayment terms, and revising how the loan interest rate is calculated.

*Assembly Amendments:* (1) narrow the disaster-related loan priority to charter schools that were closed for at least 10 schooldays due to a declared emergency and added a July 1, 2029 sunset; (2) clarify repayment limits by capping terms at

five years for new charter schools and up to eight years for disaster-impacted schools, with an option to delay repayment start; (3) add a one-time report due in 2029 on how loan funds were spent; and (4) restore the prohibition on loans to conversion charter schools.

**ANALYSIS:**

Existing law:

- 1) Establishes the CSRLF in the State Treasury, administered by the California School Finance Authority (CSFA), and authorizes loans to:
  - a) Chartering authorities on behalf of non-conversion charter schools, or;
  - b) Charter schools directly if they are incorporated and eligible for direct state funding.
- 2) Caps total loan amounts per charter school at \$250,000 over the school's lifetime.
- 3) Limits repayment terms to no more than five years, with equal annual payments automatically deducted from apportionments.
- 4) Gives priority for loans to new charter schools for startup costs.
- 5) Allows CSFA to consider various factors in approving loans, such as financial soundness, need, geographic distribution, and innovative fund uses.
- 6) Requires that loans carry an interest rate equal to the Pooled Money Investment Account (PMIA) rate as of disbursement, and directs all interest into the Charter School Security Fund.
- 7) Provides additional support for charter school facilities and capital financing through other programs, including:
  - a) Proposition 39 (2000), which requires school districts to provide reasonably equivalent facilities to eligible charter schools located within their boundaries. (Education Code (EC) § 47614)

- b) The Charter School Facility Grant Program, SB 740 (O'Connell, Chapter 892, Statutes of 2001), which provides rent/lease reimbursement to eligible charter schools. (EC § 47614.5)
- c) Charter school-specific set-asides within the School Facility Program for new construction and modernization projects. (EC § 17078.52 et seq.)

This bill:

- 1) Authorizes loans from the CSRLF to a chartering authority for one or more charter schools, none of which are a conversion of an existing charter school, or directly to a charter school that qualifies to receive funding, as specified, that is not a conversion of an existing school.
- 2) Increases the maximum loan amount to \$500,000 (from \$250,000).
- 3) Updates the priority for loans from the CSRLF to be given in the following order (previously only for charter school startup costs):
  - a) To new charter schools for startup costs; and
  - b) Until July 1, 2029, to charter schools that were damaged, destroyed, or closed for 10 or more schooldays as a result of conditions of disaster or of extreme peril in response to which the Governor has proclaimed a state of emergency, as specified.
- 4) Authorizes a CSRLF recipient that met the loan priority due to the impact of a natural disaster, as specified, to request to start payments no later than the first fiscal year after the most recent full year of operation, subject to the approval of the CSFA.
- 5) Requires the number of repayment years to not exceed five years for new charter schools that are not a conversion of an existing charter school.
- 6) Requires the number of repayment years to not exceed eight years for charter schools that were damaged, destroyed, or closed for 10 or more schooldays as a result of conditions of disaster or of extreme peril in response to which the Governor has proclaimed a state of emergency, as specified.
- 7) Requires, in the case of default of a loan made directly to a charter school, the entity managing the charter school to be liable for the repayment of the loan, in addition to the current requirement for the charter school to be liable for the repayment of the loan.

- 8) Requires moneys in the CSRLF to be loaned at (1) the rate paid on moneys in the PMIA as the date of disbursement of the funds (current method), or (2) a rate equal to 50% of the interest rate paid by the state on the most recent sale of state general obligation bonds, computed according to the true interest cost method, whichever is less, except that the rate shall not be set at a rate lower than 3%.
- 9) Requires the CSFA to provide, in a report due by October 1, 2029, an analysis and summary of the expenditures of loan funds made by the charter school loan recipient for loans issued on or after July 1, 2026. Requires the analysis and summary to include, but not be limited to, expenditure information related to facilities, employees, startup costs, equipment, direct services to pupils, and the administration of the loan, as applicable.

## Comments

- 1) *Need for this bill.* According to the author, “Applications for the Charter School Revolving Loan Fund have unfortunately decreased over the last handful of years due to the decline in new charter schools. Changes to the fund are needed to ensure the State Treasurer’s office is able to give out the \$27 million dollars that sit in the fund balance unused.”
- 2) *Charter Schools and Facility Access Challenges.* Charter schools are public schools operated independently of school districts under the oversight of a charter authorizer. They 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 bonds, and often face significant barriers when securing and paying for facilities. Unlike school districts, charter schools must typically lease or purchase facilities on the private market, and startup schools often face facility costs before receiving their first apportionment.
- 3) *Available State Support for Charter School Facilities and Capital.* To address these challenges, the state has developed several programs to support charter schools with facilities and capital needs:
  - a) *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.

- b) *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.
- c) *School Facility Program*: includes dedicated set-asides for charter schools, allowing them to apply for state bond funds for new construction and modernization projects. These projects often require matching funds and significant upfront planning capacity.

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. That is the purpose of the CSRLF.

- 4) *Charter School Revolving Loan Fund: Purpose and Current Utilization*. The CSRLF, created in 2000, provides low-interest loans—currently capped at \$250,000—to help new charter schools with early operational expenses, such as staffing, furniture, and temporary facility leases. Loans are administered by CSFA and repaid over up to five years through automatic deductions from apportionments. Direct loans are limited to incorporated charter schools, and priority is given to new schools that are not conversions of existing district schools.

In recent years, use of the program has declined significantly. CSFA reports that from 2014 to 2023, the number of annual applicants fell from 60 to just 7, with only three loans issued in each of the past two years. This decline has coincided with a reduction in new charter school openings and may also reflect the program's narrow eligibility rules. As a result, the fund currently holds a balance exceeding \$27 million.

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

According to the Assembly Appropriations Committee:

- Ongoing cost pressures of an unknown but potentially significant amount, likely in the hundreds of thousands to millions of dollars CSRLF annually as a result of expanded eligibility beyond new charter schools allowing for an increase in the number of loan applicants. According to the State Treasurer's Office, the CSRLF currently has a fund balance of approximately \$27 million.

- Minor and absorbable costs to the California School Finance Authority (CSFA) to administer the loan program.

**SUPPORT:** (Verified 9/9/25)

California State Treasurer (source)  
California Charter Schools Association  
Charter Schools Development Center

**OPPOSITION:** (Verified 9/9/25)

None received

Prepared by: Ian Johnson / ED. / (916) 651-4105  
9/9/25 14:35:15

\*\*\*\* **END** \*\*\*\*