

Date of Hearing: March 25, 2026

ASSEMBLY COMMITTEE ON EDUCATION
Darshana R. Patel, Chair
AB 2316 (Hoover) – As Introduced February 19, 2026

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

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:**

- 1) Requires, commencing January 1, 2027, 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 CSFA, in consultation with the SAB, to adopt regulations 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.

EXISTING LAW:

- 1) Establishes the CSFP to provide funding to qualifying entities for the purpose of establishing school facilities for charter school pupils. Proposition 2 (2024) set aside \$600 million in state bond funds to support the continuation of the CSFP. (Education Code (EC) 17078.52)
- 2) Requires an eligible CSFP project to include funding for new construction or rehabilitation of a school facility for charter school pupils. Authorizes a project to include, but not be limited to, the cost of retrofitting an existing building for charter school purposes, purchasing a building, or retrofitting a building that has been purchased by the charter school, if those costs have not been previously funded. (EC 17078.54)
- 3) Requires the maximum amount of the CSFP funding to be determined by calculating the charter school's per-pupil grant amount plus other allowable costs, as specified for new facility construction or rehabilitation.
- 4) Requires, for a CSFP project to be funded, a project to comply with all the following:
 - a) Meet all of the requirements regarding public school construction, plan approvals, toxic substance review, site selection, and site approval, as would any noncharter school project of a school district, including, but not limited to, regulations adopted by the State Architect relating to the retrofitting of existing buildings, as applicable; and

- b) Notwithstanding any provision of law to the contrary, requires the SAB, after consulting with the relevant regulatory agencies, to the extent feasible, adopt regulations establishing a process for projects to be subject to a streamlined method for obtaining regulatory approvals for all specified requirements, except for the requirements of the Field Act which shall be complied with in the same manner as any other School Facilities Program (SFP) project. (EC 17078.54)
- 5) Requires the SAB to fund only new construction to be physically located within the geographical jurisdiction of a school district. (EC 17078.54)
- 6) 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. (EC 17078.54)
- 7) Requires the CSFA, in consultation with the SAB, to adopt regulations establishing uniform terms and conditions that apply equally to all CSFP projects for funding. (EC 17078.57)
- 8) Requires CSFA funding granted to not exceed 100% of the total allowable project costs as determined by calculating double the per-pupil grant eligibility, plus 100% of all other allowable construction project costs, as appropriate to the project, that would otherwise be available to school district projects. Requires funding granted for the purpose of rehabilitating buildings to be limited to the costs necessary to comply with all the requirements regarding public school construction, and to not exceed the maximum costs that would otherwise be allowable for a new construction project. (EC 17078.58)
- 9) Requires the local share equivalent for CSFP projects to be collected in the form of lease payments. (EC 17078.58)
- 10) 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 (EC 47614);
 - b) The Charter School Revolving Loan Fund (CSRLF), is established in the State Treasury, administered by the CSFA, and authorizes loans for chartering authorities on behalf of non-conversion charter schools, or; charter schools directly if they are incorporated and eligible for direct state funding (EC 41365); and
 - c) 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)
- 11) Authorizes the SAB to provide other construction, modernization, or relocation assistance to the extent that severe circumstances may require and may adjust or defer the local financial participation (known as Financial Hardship). (EC 17075.15)
- 12) Requires the SAB to adopt regulations for determining the amount of funding that may be provided to a school district, and the eligibility and prioritization of funding. Requires the regulations to define the amount, and sources, of financing that the school district could reasonably provide for school facilities as follows:

- a) Unencumbered funds available in all facility accounts in the school district, including, but not limited to, fees on development, redevelopment funds, sale proceeds from surplus property, funds generated by certificates of participation for facility purposes, bond funds, federal grants, and other funds available for school facilities, as the SAB may determine; and
 - b) Authorizes the SAB to exclude from consideration all funds encumbered for a specific capital outlay purpose, a reasonable amount for interim housing, and other funds that the SAB may find are not reasonably available for the project. (EC 17075.15)
- 13) Requires the regulations to also specify a method for determining required levels of local effort to obtain matching funds. Requires the regulations to include consideration of at least all of the following factors:
- a) Whether the school district has passed a bond measure within the two-year period immediately preceding the application for funding, the proceeds of which are substantially available for use in the project to be funded but remains unable to provide the necessary matching share requirement;
 - b) Whether the principal amount of the current outstanding bonded indebtedness issued for the purpose of constructing school facilities for the school district and secured by property within the school district or by revenues of, or available to, the school district, which are required to include general obligation bonds, Mello-Roos bonds, school facility improvement district bonds, certificates of participation, and other debt instruments issued for the purpose of constructing school facilities for the school district and for which owners of property within the school district or the school district are paying debt service is at least 60% of the school district's total bonding capacity, as determined by the SAB;
 - c) Requires, whether the total bonding capacity, as defined, as applicable, is \$15,000,000 or less, in which case, the school district to be deemed eligible for financial hardship. Requires this amount, commencing with the 2026–27 fiscal year, to be adjusted each fiscal year by a specified inflation adjustment;
 - d) Whether the application for funding under this article is from a county superintendent of schools;
 - e) Whether the school district submits other evidence of substantial local effort acceptable to the SAB; and
 - f) The value of any unused local general obligation debt capacity, and developer fees added to the needs analysis to reflect the district's financial hardship, available for the purposes of school facilities financing. (EC 17075.15)

FISCAL EFFECT: Unknown

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.”

Key provisions of the bill. This bill would create, within the CSFP, financial hardship assistance. This would allow CSFP applicants and charter schools to request a reduced local share matching obligation (50% in current law) and correspondingly increase the state grant amount. The OPSC would be required to develop financial hardship regulations, to be adopted by the SAB, to establish uniform terms and conditions for the method of 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.

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. *The Committee may wish to consider* the impact of this change 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:

- *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;
- *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
- *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:

- **Indebtedness threshold:** the current indebtedness of the school district is at least 60% of the school district's total bonding capacity;
- **Bonding capacity:** A school district with a total bonding capacity of less than \$5 million meets this requirement regardless of the level of indebtedness;
- **Voter bond election:** 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;
- **County superintendent of Schools:** A county superintendent of schools automatically meets the reasonable effort; and
- **Other evidence of reasonable effort.**

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. The Alameda County Office of Education writes, "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.”

Recommended Committee Amendments. Staff recommends that the bill be amended as follows:

- Move the implementation date of financial hardship eligibility from January 1, 2027, to January 1, 2028, to allow potential applicants additional time to apply for this eligibility, and for OSPC and CSFA to develop related regulations.
- The SAB and CSFA, in developing regulations to determine definition of/criteria for “undue hardship” and eligibility for the CSFP financial hardship shall require the applicant and the charter school to demonstrate:
 - That the charter school has applied for all other state and federal grants related to facilities for which they are eligible, as determined by the SAB and CSFA, for the period of 12 months prior to the application submitted for preliminary apportionment. Require the SAB and CSFA to publish a list of available facilities related state and federal charter school grants at least 12 months prior to the eligible project application availability;
 - That the charter school has a made a written request to their authorizer to include the eligible charter school project in the authorizers’ next local school facilities bond;
 - The amount of local school facilities bond funds provided by the charter school authorizer over in the prior five years, including a description of how those local bond funds were utilized by the charter school; and
 - The amount of any transfers of funds or assets to other individuals or organizations for the last five years that exceed \$500,000 or 5% of the charter school’s total revenue and other sources, whichever is less, together with a written explanation regarding the charter school’s purpose for each of these expenditures. Require this identification to be reported at the time the project application is submitted for the purposes of preliminary apportionment, and again as a component of the Application for Funding form to receive final apportionment. Require the local share matching obligation or lease payments to be updated based on the most current information provided.
- Require the local share matching obligation or lease payments to be updated by the SAB and the CSFA based on the most current information provided.
- Require the “undue hardship” regulations, developed by the SAB and CSFA to include, but not be limited to:
 - The amount of state and federal grants received by the charter school related to facilities;

- The amount of local school facilities bond funds provided by the charter school authorizer related to the eligible project;
 - The amount of transfers of funds or assets to other individuals or organizations for the last five years that exceed \$500,000 or 5% of the charter school's total revenue and other sources, whichever is less;
 - By a threshold of the charter school's borrowing capacity and indebtedness; and
 - As further determined by the SAB and CSFA in regulations.
- Require 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.

Related legislation. SB 631 (Richardson), Chapter 776, Statutes of 2025, makes several changes to the 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.

AB 247 (Muratsuchi, Mike Fong, Wilson, Glazer, and Newman), makes changes to the SFP and establishes the Kindergarten Through Grade 12 Schools and Local Community College Public Education Facilities Modernization, Repair, and Safety Bond Act of 2024 in the amount of \$10 billion to be approved by the voters for the November 2024 statewide ballot (Proposition 2), including \$600 million for the CSFP.

AB 48 (O'Donnell), Chapter 530, Statutes of 2019, authorized \$15 billion for the construction and modernization of public preschool, K-12, California Community Colleges (CCC), University of California (UC), and California State University (CSU) facilities to be placed on the March 3, 2020, primary ballot, which became Proposition 13. Proposition 13 (2020) did not pass, receiving 47% yes votes. If Proposition 13 had passed, it would have required the local matching obligation for CSFP to be adjusted consistent with the revised local matching contributions for school districts pursuant to the SFP financial hardship program, based upon the adjustment that would apply to the school district in which the charter school is physically located which serves the same grade levels as the facilities funded.

Proposition 51 (2016), approved by the voters, authorizes \$9 billion in general obligation bonds for education facilities \$7 billion for K-12 public school facilities and \$2 billion for community college facilities, including \$500 million for the CSFP.

AB 127 (Nunez), Chapter 35, Statutes of 2006, authorizes the Kindergarten-University Public Education Facilities Bond Act of 2006 (Proposition 1D), including \$500 for the CSFP.

AB 14 (Alpert), Chapter 935, Statutes of 2002, implements the CSFP and makes various technical and substantive changes to the State School Facilities Program and the Kindergarten-University Public Education Facilities Bond Acts of 2002 and 2004.

AB 3384 (Knox), Chapter 786, Statutes of 1996, creates the CSRLF in the State Treasury to loan up to \$50,000 to districts for charter schools that are not a conversion of an existing school, as specified, and provided that the fund be comprised of federal funds and any funds appropriated or transferred to the fund.

REGISTERED SUPPORT / OPPOSITION:

Support

Achieve Charter Schools
Albert Einstein Academies Charter Schools
Alder Grove Charter School
Alma Fuerte Public School
Alpha Public Schools
Aplus+
Ararat Charter School
Aspen Public Schools, INC.
Big Picture Educational Academy
Birmingham Community Charter High School
Bridges Preparatory Academy
Brookfield Engineering Science Technology (Best Academy)
Bullis Charter School
California Charter Schools Association
California Creative Learning Academy
California Montessori Project
California Pacific Charter Schools
Champs Charter High School of the Arts
Chime Institute
Community Learning Center Schools
Core Butte Charter School
Da Vinci Schools
Discovery Charter Schools
Education for Change Public Schools
El Camino Real Charter High School
Equitas Academy Charter Schools
Excel Academy Charter School
Extera Public Schools
Feaster (Mae L.) Charter School
Fenton Charter Public Schools
Gabriella Charter Schools
Gateway College and Career Academy
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
Jes, INC.
Julia Lee Performing Arts Academy
Kairos Public Schools
Kidinnu Academy
Lake County International Charter
Larchmont Charter School
Learn4life
Magnolia Public Schools
Meadows Arts and Technology Elementary School
Montague Charter Academy
Multicultural Learning Center
Museum School Collaborative
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
Pacoima Charter School
Para Los Ninos
Pasadena Rosebud Academy Charter School
Phoenix Charter Academy College View
Port of Los Angeles High School
River Charter Schools
Rocklin Academy Family of Schools
Sage Oak Charter Schools
Scholarship Prep Charter School
Sebastopol Independent Charter
Shasta Charter Academy
Sherman Thomas Charter School
Soleil 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
Vaughn Next Century Learning Center
Vibrant Minds Charter School
Vista Charter Public Schools

Voices College Bound Language Academies
Wish Community and Academy Schools
Yes Charter Academy

Opposition

Alameda County Office of Education

Analysis Prepared by: Marguerite Ries / ED. / (916) 319-2087