



**CALIFORNIA SCHOOL FINANCE AUTHORITY
901 P STREET, THIRD FLOOR, SUITE 311B
SACRAMENTO, CA 95814**

**Title 4, Division 15, Article 2,
CALIFORNIA CODE OF REGULATIONS
State Charter School Facilities Incentive Grant Program**

INITIAL STATEMENT OF REASONS

INTRODUCTION

The California School Finance Authority (Authority) is organized and operated pursuant to the California School Finance Authority Act under sections 17170 through 17199.5 of the Education Code.

In 2004, 2009, and 2014, the United States Department of Education approved grant awards to the Authority pursuant to the State Charter School Incentive Grant Program (Program), authorized under Title V, Part B, Subpart 1 of the Elementary and Secondary Education Act, as amended by the No Child Left Behind Act of 2001. The Program provided for \$49,250,000 in 2004, \$46,132,749 in 2009, and \$50,000,000 in 2014, to be awarded over five-year periods for the purposes of funding per-pupil facilities aid programs for California charter schools. The Authority was recently awarded a \$30 million grant award in Fall 2024. Per the Authority's application to the Department of Education, the Authority is proposing three more funding rounds of the Program starting for the 2025-26 school year. Program funds are applied toward a charter school's annual costs of rent, lease, mortgage, debt service, or Proposition 39 pro-rata payments for facilities, or towards the costs of purchase, design, construction, and/or renovation of a new or existing facility.

PROBLEM STATEMENT

Sections 17179 and 17180 of the Education Code endow the Authority with the general power to adopt regulations, as a power reasonably necessary to carry out the powers and responsibilities expressly granted or imposed under Chapter 18, as well as the specific power to adopt guidelines for grants, bonds, and other evidence of indebtedness. Without these amended regulations, the Authority would not have uniform standards and guidelines to administer the Program and ensure that Applications are evaluated in a consistent and fair manner, and Applicants do not have guidelines to direct them through the Application process and post-award compliance.

ANTICIPATED BENEFITS

The proposed regulations provide specificity and guidance for applicant charter schools to permit an informed decision concerning Program participation. By setting forth Program requirements and expectations, the proposed regulations reduce the potential for confusion or misinterpretation or misapplication of the rules and increase the likelihood of Program success. Additionally, by setting out clear program goals and requirements, these regulations provide transparency concerning the administration of a government program



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SPECIFIC PURPOSE OF, AND RATIONALE FOR, EACH PROPOSED AMENDMENT

1. **Section 10176. Definitions.** (d) NEW – Added federal requirements and statutory references for “Build American, Buy America Act or BABAA” as required by U.S. Department of Education for subgrantees.
2. **Section 10176. Definitions.** (d-w) ORIGINAL – Subsequently assigned new letters due to addition of new subsection (d).
3. **Section 10176. Definitions.** (k) – Added federal requirements and statutory references for “McNamara-O’Hara Service Contract Act or DRBA” as required by U.S. Department of Education for subgrantees.
4. **Section 10181. Content of Application.** (h) – Replace “title report” with “grant deed coupled with a copy of the most recent title insurance policy” to provide clarity on required application documents.
5. **Section 10181. Content of Application.** (h) – Added “and” and removed “contingent” for clarity in supporting federal requirements.
6. **Section 10181. Content of Application.** (i) – Updated to specify precisely what will be required in the application requirements for proposed projects.
7. **Section 10181. Content of Application.** (j) – Updated for clarity on the certification for more precise language to accurately describe the certification requirements.
8. **Section 10181. Content of Application.** (j)(1) – Updated for correct grammar.
9. **Section 10181. Content of Application.** (j)(2) – Added “BABAA” as compliance with the Build American, Buy America Act is now a federal compliance requirement in addition to the Davis-Bacon and Related Acts.
10. **Section 10181. Content of Application.** (j)(5) – Updated for clarity on evidence of completion requirements to ensure applicants are fully in compliance with federal requirements.
11. **Section 10190. Audits and Conflicts of Interest.** (d) – Added “BABAA” as compliance with the Build American, Buy America Act is now a federal compliance requirement in addition to the Davis-Bacon and Related Acts.

TECHNICAL, THEORETICAL, AND/OR EMPIRICAL STUDIES, REPORTS, OR DOCUMENTS

The Authority did not rely on any technical, theoretical, and/or empirical studies, reports, or documents in proposing the regulations.



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ECONOMIC IMPACT ASSESSMENT

The proposed regulations are unlikely to have an impact on the creation or elimination of jobs within the State of California. In addition, the Authority is unaware of any reason enhancing the Program would result in the elimination of jobs. Furthermore, the proposed regulations are unlikely to have an impact on the creation of new businesses or the elimination of existing businesses within the State of California.

The proposed regulations could likely impact the expansion of businesses currently doing business within the State of California. This program will provide grant funding for charter school facilities. These facilities are often an expansion of the associated charter school organizations to serve more students.

Lastly, the proposed regulations will have no benefit to worker safety or the state's environment as a result of this rulemaking. The purpose of the program and proposed regulations is to set forth administrative criteria and requirements for administering this grant program. As the intent of the Program is to provide grant funding related to charter school facilities, the Program and its proposed regulations have the potential to directly benefit the welfare of students and their related communities.

REASONABLE ALTERNATIVES AND THE AUTHORITY'S REASONS FOR REJECTING THOSE ALTERNATIVES

There is no reasonable alternative as these are the establishing regulations for the Program.

DUPLICATION OR CONFLICTS WITH FEDERAL REGULATIONS

The proposed regulatory action does not contain any regulations that are identical to or in conflict with any corresponding federal regulation.

REGULATIONS MANDATED BY FEDERAL LAW

Program applicants are expected to comply with federal regulations related to conflicts of interest. These regulations are stated in proposed regulations Section 10198. Specifically, applicants must comply with the following federal regulatory code as required by the United States Department of Education as well as general conflict of interest compliance for federal grants.:

34 CFR 75.525(a) which prohibit a person from participating in an administrative decision regarding a project if (a) the decision is likely to benefit that person or their immediate family members; and (b) the person is a public official or has a family or business relationship with the Awardee.

34 CFR 75.525(b) which provides further that an Awardee may not permit any person participating in a project to use their position for a purpose that is - or gives the



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appearance of being - motivated by a desire for a private or financial gain for that person or for others.

2 CFR 200.318 through 2 CFR 200.327. These standards require federal grant Awardees to develop written procurement procedures and to conduct all procurement transactions in a manner that provides, to the maximum extent possible, open, and free competition. No employee, officer, or agent of the Awardee may participate in the selection, award, or administration of any contract supported by federal funds if a real or apparent conflict of interest exists.

The full text of the federal regulations referenced above are found in the Code of Federal Regulations, which is available online at <https://www.ecfr.gov/> .