Charter School Funding Revisions

2025 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: R. Neil Walter

Senate Sponsor: Lincoln Fillmore

LONG TITLE

General Description:

This bill modifies provisions in the Charter School Credit Enhancement Program.

Highlighted Provisions:

This bill:

- modifies criteria for qualifying charter schools under the Charter School Credit Enhancement Program;
- expands evaluation standards for charter school operating history;
- specifies financial metrics for program qualification;
- establishes additional requirements for annual program certification;
- establishes credit rating-based maintenance fees for participating charter schools;
- creates parameters for state appropriation repayment procedures; and
- makes technical changes.

Money Appropriated in this Bill:

This bill appropriates $4,000,000 in restricted fund and account transfers for fiscal year 2026, all of which is from the various sources as detailed in this bill.

Other Special Clauses:

This bill provides a special effective date.

Utah Code Sections Affected:

AMENDS:

53G-5-606, as renumbered and amended by Laws of Utah 2018, Chapter 3

53G-5-609, as renumbered and amended by Laws of Utah 2018, Chapter 3

Be it enacted by the Legislature of the state of Utah:

Section 1. Section **53G-5-606** is amended to read:

53G-5-606 . Charter School Credit Enhancement Program -- Standards for the designation of qualifying charter schools -- Debt service reserve fund requirements.

(1) There is created the Charter School Credit Enhancement Program to assist a qualifying charter [~~schools~~] school in obtaining favorable financing by providing a means of replenishing a qualifying charter school's debt service reserve fund.

(2) The authority shall establish standards for a charter school to be designated as a qualifying charter school.

(3) In accordance with Subsection (4), in establishing the standards described in Subsection (2) the authority shall consider:

[~~(a) whether a charter school has received an investment grade rating, independent of any rating enhancement resulting from the issuance of bonds pursuant to the credit enhancement program;~~]

[~~(b) the location of the charter school's project;~~]

[~~(c) the operating history of the charter school;~~]

[~~(d)~~] (a) the financial strength of the qualifying charter school, as demonstrated by:

(i) debt service coverage ratios;

(ii) days cash on hand; and

(iii) other financial metrics as determined by the authority; and

[~~(e)~~] (b) any other criteria the authority determines are relevant.

(4) Excepted as provided in Subsection (12), based on a qualifying charter school's credit rating from at least one nationally recognized rating agency, the authority shall:

(a) for a rating of investment grade:

(i) approve a qualifying charter school for a bond issuance pursuant to this section; and

(ii) waive the annual maintenance fee;

(b) for a rating of BB+ or equivalent rating:

(i) approve a qualifying charter school for a bond issuance pursuant to this section; and

(ii) assess an annual maintenance fee of 0.15% of outstanding debt;

(c) for a rating of BB or equivalent rating:

(i) apply the standards described in Subsection (3) in determining whether to approve a qualifying charter school for a bond issuance pursuant to this section; and

(ii) if the qualifying charter is approved in accordance with Subsection (4)(c)(i), assess an annual maintenance fee of 0.25% of outstanding debt; and

(d) adjust any maintenance fee described in this Subsection (4) to reflect a change in the qualifying charter school's credit rating.

[~~(4)~~] (5) The bonds [~~issued by the authority~~] the authority issues for a qualifying charter school are not an indebtedness of the state or of the authority but are special obligations payable solely from:

(a) the revenues or other funds pledged by the qualifying charter school; and

(b) amounts appropriated by the Legislature pursuant to Subsection [~~(9)~~] (10).

[~~(5)~~] (6) The authority shall notify the authorizer of a charter school that the charter school is participating in the credit enhancement program if the authority:

(a) designates the charter school as a qualifying charter school; and

(b) issues bonds for the qualifying charter school under the credit enhancement program described in this section.

[~~(6)~~] (7) One or more debt service reserve funds shall be established for a qualifying charter school with respect to bonds issued pursuant to the credit enhancement program.

[~~(7)~~] (8)(a) Except as provided in Subsection [~~(7)(b)~~] (8)(b), money in a debt service reserve fund may not be withdrawn from the debt service reserve fund if the amount withdrawn would reduce the level of money in the debt service reserve fund to less than the debt service reserve fund requirement.

(b) So long as the applicable bonds issued under the credit enhancement program remain outstanding, money in a debt service reserve fund may be withdrawn in an amount that would reduce the level of money in the debt service reserve fund to less than the debt service reserve fund requirement if the money is withdrawn for the purpose of:

(i) paying the principal of, redemption price of, or interest on a bond when due and if no other money of the qualifying charter school is available to make the payment, as determined by the authority; or

(ii) paying any redemption premium required to be paid when the bonds are redeemed prior to maturity if no bonds will remain outstanding upon payment from the funds in the qualifying charter school's debt service reserve fund.

[~~(8)~~] (9) Money in a qualifying charter school's debt service reserve fund that exceeds the debt service reserve fund requirement may be withdrawn by the qualifying charter school.

[~~(9)~~] (10)(a) The authority shall annually, on or before December 1, certify to the governor the amount, if any, required to restore amounts on deposit in the debt service reserve funds of qualifying charter schools to the respective debt service reserve fund requirements, which certification shall include:

(i) detailed calculations supporting the certified amount; and

(ii) a report on the current status of each qualifying charter school's debt service reserve fund.

(b) The governor shall request from the Legislature an appropriation of the certified amount to restore amounts on deposit in the debt service reserve funds of qualifying charter schools to the respective debt service reserve fund requirements.

(c) The Legislature may appropriate money to the authority to restore amounts on deposit in the debt service reserve funds of qualifying charter schools to the respective debt service reserve fund requirements.

(d) A qualifying charter school that receives money from an appropriation to restore amounts on deposit in a debt service reserve fund to the debt service reserve fund requirement, shall repay the state at the time and in the manner as the authority shall require, provided that:

(i) the repayment schedule shall not exceed five years from the date of the appropriation;

(ii) the authority shall establish a minimum annual repayment amount; and

(iii) the authority shall provide annual reports to the Legislature on the status of all outstanding repayment obligations.

[~~(10)~~] (11) The authority may create and establish other funds for its purposes.

(12) The authority shall waive the annual maintenance fee for a qualifying charter school that:

(a) received bond issuance approval on or before July 1, 2025; and

(b) has obtained an investment grade credit rating from at least one nationally recognized rating agency.

Section 2. Section **53G-5-609** is amended to read:

53G-5-609 . Limitation on participation in Charter School Credit Enhancement Program.

(1) In accordance with Subsection (2), on or before January 1 of each year, the authority shall determine the credit enhancement program's bond issuance limitation.

(2) The authority may not issue bonds for a qualifying charter school under the credit enhancement program if the total par amount outstanding under the program would exceed an amount equal to the product of:

(a) [~~1.3~~] 2.0;

(b) an amount equal to the quotient of:

(i) annual charter school enrollment; divided by

(ii) annual state enrollment; and

(c) the total par amount then outstanding under the school bond guarantee program established in Chapter 4, Part 8, School District Bond Guaranty.

Section 3. **FY 2026 Appropriations.**

The following sums of money are appropriated for the fiscal year beginning July 1, 2025, and ending June 30, 2026. These are additions to amounts previously appropriated for fiscal year 2026.

Subsection 3(a). **Restricted Fund and Account Transfers**

The Legislature authorizes the State Division of Finance to transfer the following amounts between the following funds or accounts as indicated. Expenditures and outlays from the funds to which the money is transferred must be authorized by an appropriation.

ITEM 1	To Charter School Reserve Account		
	From Public Education Economic Stabilization Restricted Account, One-time		4,000,000
	Schedule of Programs:		
	Charter School Reserve Account	4,000,000	

Section 4. **Effective Date.**

This bill takes effect on July 1, 2025.