

# HB0219S01 compared with HB0219

{Omitted text} shows text that was in HB0219 but was omitted in HB0219S01

inserted text shows text that was not in HB0219 but was inserted into HB0219S01

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## Charter School Funding Revisions

2025 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: R. Neil Walter

Senate Sponsor:

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### LONG TITLE

#### General Description:

This bill {establishes} modifies provisions in the Charter School {Revolving Fund} Credit Enhancement Program.

#### Highlighted Provisions:

This bill:

- ▶ {eliminates the Charter School Revolving Account;}
- ▶ {establishes} modifies criteria for qualifying charter schools under the Charter School {Revolving Fund} Credit Enhancement Program;
- ▶ expands evaluation standards for charter school operating history;
- ▶ specifies {the permitted uses of funds in the Charter School Revolving Fund and procedures} financial metrics for {making loans} program qualification;
- ▶ {requires depositing the assets of, and loan payments for loans made from, the Charter School Revolving Account into the Charter School Revolving Fund; and}
- ▶ establishes additional requirements for annual program certification;
- ▶ establishes credit rating-based maintenance fees for participating charter schools;

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- 14       ▶ creates parameters for state appropriation repayment procedures; and  
14       ▶ makes technical changes.

## 16 Money Appropriated in this Bill:

- 17       ▶ This bill appropriates \$4,000,000 in restricted fund and account transfers for fiscal year  
18       2026, all of which is from the various sources as detailed in this bill.

19       This bill provides a special effective date.

## 22 AMENDS:

- 22       ~~{53F-9-203 (Effective 07/01/25), as last amended by Laws of Utah 2024, Chapter~~  
23       ~~507 (Effective 07/01/25), as last amended by Laws of Utah 2024, Chapter 507}~~  
23       **53G-5-606 , as renumbered and amended by Laws of Utah 2018, Chapter 3 , as renumbered**  
24       **and amended by Laws of Utah 2018, Chapter 3**  
24       

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**53G-5-609 , as renumbered and amended by Laws of Utah 2018, Chapter 3 , as renumbered**  
24       **and amended by Laws of Utah 2018, Chapter 3**  
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## . ENACTS:

- 24       ~~{53F-9-203.1 (Effective 07/01/25), Utah Code Annotated 1953 (Effective 07/01/25), Utah~~  
24       ~~Code Annotated 1953}~~

25       

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

27       ~~{Section 1. Section 53F-9-203 is amended to read:}~~

## 28       **53F-9-203. Charter School Revolving Account.**

29       (1)

.       (a) The terms defined in Section 53G-5-102 apply to this section.

30       (b) As used in this section, "account" means the Charter School Revolving Account.

31       (2)

.       (a) There is created within the Uniform School Fund a restricted account known as the "Charter School Revolving Account" to provide assistance to charter schools to:

33       (i) meet school building construction and renovation needs; and

34       (ii) pay for expenses related to the start up of a new charter school or the expansion of an existing charter school.

36       (b) The state board, in consultation with the State Charter School Board, shall administer the Charter School Revolving Account in accordance with rules adopted by the state board.

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- 39 (3) The Charter School Revolving Account shall consist of:
- 40 (a) money appropriated to the account by the Legislature;
- 41 (b) money received from the repayment of loans made from the account; and
- 42 (c) interest earned on money in the account.
- 43 (4) The state superintendent shall make loans to charter schools from the account to pay for the costs of:
- 44 (a) planning expenses;
- 45 (b) constructing or renovating charter school buildings;
- 46 (c) equipment and supplies; or
- 47 (d) other start-up or expansion expenses.
- 48 (5) Loans to new charter schools or charter schools with urgent facility needs may be given priority.
- 49 (6) The state board shall:
- 50 (a) review requests by charter schools for loans under this section; and
- 51 (b) in consultation with the State Charter School Board, approve or reject each request.
- 52 (7) A loan under this section may not be made unless the state board, in consultation with the State
- 53 Charter School Board, approves the loan.
- 54 (8) The term of a loan to a charter school under this section may not exceed five years.
- 55 (9) The state board may not approve loans to charter schools under this section that exceed a total of
- 56 \$2,000,000 in any fiscal year.
- 57 (10)
- 58 (a) On March 16, 2011, the assets of the Charter School Building Subaccount administered by the state
- 59 board shall be deposited into the Charter School Revolving Account.
- 60 (b) Beginning on March 16, 2011, loan payments for loans made from the Charter School Building
- 61 Subaccount shall be deposited into the Charter School Revolving Account.
- 62 (11) Beginning on July 1, 2025, the state superintendent may not make new loans under this section.
- 63
- 64 Section 2. Section 2 is enacted to read:
- 65 **53F-9-203.1. Charter School Revolving Fund.**
- 66 (1) As used in this section:
- 67 (a) The terms defined in Section 53G-5-102 apply to this section.
- 68 (b) "Fund" means the Charter School Revolving Fund.
- 69 (2)

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- (a) There is created within the Uniform School Fund a restricted account known as the Charter School Revolving Fund to provide assistance to charter schools to:
- 74 (i) meet school building construction and renovation needs; and
- 75 (ii) pay for expenses related to the startup of a new charter school or the expansion of an existing charter school.
- 77 (b) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the Utah Charter Finance Authority shall make rules to administer the Charter School Revolving Fund including:
- 80 (i) establishing the interest rates of loans;
- 81 (ii) amortization schedules for loans; and
- 82 (iii) other terms of repayment.
- 83 (3) The Charter School Revolving Fund shall consist of:
- 84 (a) money the Legislature appropriates to the account;
- 85 (b) money received from the repayment of loans made from the account; and
- 86 (c) interest earned on money in the account.
- 87 (4) The Utah Charter Finance Authority shall make loans to charter schools from the fund for a loan of:
- 89 (a) up to \$1,000,000 to a charter school for a school facility addition or expansion; or
- 90 (b) up to 25% of a requested loan amount to a charter school for the acquisition or construction of a school facility.
- 92 (5) The Utah Charter Finance Authority shall:
- 93 (a) review requests by charter schools for loans under this section; and
- 94 (b) approve or reject each request.
- 95 (6) The Utah Charter Finance Authority:
- 96 (a) shall:
- 97 (i) make a loan that is secured by a promissory note and a deed of trust from the charter school; and
- 99 (ii) require a recipient charter school to repay the funds if the recipient charter school sells or refinances any collateral associated with the loan; and
- 101 (b) may make a loan that is subordinate to senior debt.
- 102 (7) A loan under this section may not be made unless the Utah Charter Finance Authority approves the loan.
- 104 (8) The Utah Charter Finance Authority shall set the term of a loan to a charter school under this section.

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106 (9)

(a) On July 1, 2025, the state board shall deposit the assets and unused funds of the Charter School Revolving Account that the state board administers as described in Section 53F-9-203 into the Charter School Revolving Fund.

109 (b) Beginning on July 1, 2025, the state board shall deposit loan payments for loans made from the Charter School Revolving Account into the Charter School Revolving Fund.

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

28 **53G-5-606. Charter School Credit Enhancement Program -- Standards for the designation  
of qualifying charter schools -- Debt service reserve fund requirements.**

30 (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.

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

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

37 [~~(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;]

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

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

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

43 (i) debt service coverage ratios;

44 (ii) days cash on hand; and

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

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

47 (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:

49 (a) for a rating of investment grade:

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

52 (ii) waive the annual maintenance fee;

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

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- 54 (i) approve a qualifying charter school for a bond issuance pursuant to this section; and  
56 (ii) assess an annual maintenance fee of 0.15% of outstanding debt;  
57 (c) for a rating of BB or equivalent rating:  
58 (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  
60 (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  
62 (d) adjust any maintenance fee described in this Subsection (4) to reflect a change in the qualifying  
charter school's credit rating.
- 64 ~~[(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:
- 67 (a) the revenues or other funds pledged by the qualifying charter school; and  
68 (b) amounts appropriated by the Legislature pursuant to Subsection ~~[(9)]~~ (10).
- 69 ~~[(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:
- 71 (a) designates the charter school as a qualifying charter school; and  
72 (b) issues bonds for the qualifying charter school under the credit enhancement program described in  
this section.
- 74 ~~[(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.
- 76 ~~[(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.
- 80 (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:
- 84 (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

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(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.

90 ~~[(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.

93 ~~[(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:

97 (i) detailed calculations supporting the certified amount; and

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

100 (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.

103 (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.

106 (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:

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

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

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

115 ~~[(10)]~~ (11) The authority may create and establish other funds for its purposes.

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

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

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

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

122 **53G-5-609. Limitation on participation in Charter School Credit Enhancement Program.**

124

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(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.

126 (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:

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

130 (b) an amount equal to the quotient of:

131 (i) annual charter school enrollment; divided by

132 (ii) annual state enrollment; and

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

## 135 Section . **FY 2026 Appropriations.**

136 The following sums of money are appropriated for the fiscal year beginning July 1,  
137 2025, and ending June 30, 2026. These are additions to amounts previously appropriated for  
138 fiscal year 2026.

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

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

143 To Charter School Reserve Account

144 4,000,000

146 Schedule of Programs:

147 4,000,000

## 112 Section . **FY 2026 Appropriation.**

113 The following sums of money are appropriated for the fiscal year beginning July 1,  
114 2025, and ending June 30, 2026. These are additions to amounts previously appropriated for  
115 fiscal year 2026.

### 116 Subsection 3(a). **Operating and Capital Budgets**

117 Under the terms and conditions of Title 63J, Chapter 1, Budgetary Procedures Act, the  
118 Legislature appropriates the following sums of money from the funds or accounts indicated for  
119 the use and support of the government of the state of Utah.

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120	To State Board of Education - Utah Charter School Finance Authority	
121		50,000,000
123	Schedule of Programs:	
124		50,000,000

148 Section 4. **Effective date.**

This bill takes effect on July 1, 2025.

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