

R. Neil Walter proposes the following substitute bill:

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

29 **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
 31 charter [schools] school in obtaining favorable financing by providing a means of
 32 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
 34 qualifying charter school.

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

37 ~~[(a) whether a charter school has received an investment grade rating, independent of~~
 38 ~~any rating enhancement resulting from the issuance of bonds pursuant to the credit~~
 39 ~~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
 48 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;

51 and

52 (ii) waive the annual maintenance fee;

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

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

55 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

59 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),

61 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

63 qualifying charter school's credit rating.

64 [~~(4)~~] (5) The bonds [~~issued by the authority~~] the authority issues for a qualifying charter

65 school are not an indebtedness of the state or of the authority but are special obligations

66 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

70 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

73 described in this section.

74 [~~(6)~~] (7) One or more debt service reserve funds shall be established for a qualifying charter

75 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

77 reserve fund may not be withdrawn from the debt service reserve fund if the amount

78 withdrawn would reduce the level of money in the debt service reserve fund to less

79 than the debt service reserve fund requirement.

80 (b) So long as the applicable bonds issued under the credit enhancement program remain

81 outstanding, money in a debt service reserve fund may be withdrawn in an amount

82 that would reduce the level of money in the debt service reserve fund to less than the

83 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

85 no other money of the qualifying charter school is available to make the payment,

86 as determined by the authority; or

87 (ii) paying any redemption premium required to be paid when the bonds are

88 redeemed prior to maturity if no bonds will remain outstanding upon payment

89 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

91 debt service reserve fund requirement may be withdrawn by the qualifying charter

92 school.

93 [~~(9)~~] (10)(a) The authority shall annually, on or before December 1, certify to the

94 governor the amount, if any, required to restore amounts on deposit in the debt

95 service reserve funds of qualifying charter schools to the respective debt service

96 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
 99 reserve fund.
- 100 (b) The governor shall request from the Legislature an appropriation of the certified
 101 amount to restore amounts on deposit in the debt service reserve funds of qualifying
 102 charter schools to the respective debt service reserve fund requirements.
- 103 (c) The Legislature may appropriate money to the authority to restore amounts on
 104 deposit in the debt service reserve funds of qualifying charter schools to the
 105 respective debt service reserve fund requirements.
- 106 (d) A qualifying charter school that receives money from an appropriation to restore
 107 amounts on deposit in a debt service reserve fund to the debt service reserve fund
 108 requirement, shall repay the state at the time and in the manner as the authority shall
 109 require, provided that:
- 110 (i) the repayment schedule shall not exceed five years from the date of the
 111 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
 114 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
 117 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
 120 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**
 123 **Program.**
- 124 (1) In accordance with Subsection (2), on or before January 1 of each year, the authority
 125 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
 127 enhancement program if the total par amount outstanding under the program would
 128 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
- 134 established in Chapter 4, Part 8, School District Bond Guaranty.

135 Section 3. **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	ITEM 1	To Charter School Reserve Account	
144		From Public Education Economic Stabilization	
145		Restricted Account, One-time	4,000,000
146		Schedule of Programs:	
147		Charter School Reserve Account	4,000,000

148 Section 4. **Effective Date.**

149 This bill takes effect on July 1, 2025.