

SB0186S02 compared with SB0186

~~{Omitted text}~~ shows text that was in SB0186 but was omitted in SB0186S02

inserted text shows text that was not in SB0186 but was inserted into SB0186S02

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1 Charter School ~~{Base Funding Amendments}~~ Modifications

2026 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Heidi Balderree

House Sponsor:Candice B. Pierucci

2

3 LONG TITLE

4 General Description:

5 This bill establishes a charter school base funding study and creates a charter school
6 educational service agency.

7 Highlighted Provisions:

8 This bill:

- 9 ▶ requires a study of charter school administrative costs and funding options;
- 10 ▶ establishes a charter school base funding study group with specific membership;
- 11 ▶ requires charter school governing board members to take an oath of office;
- 12 ▶ clarifies that charter schools are public schools;
- 13 ▶ replaces the Charter School Revolving Account with the Charter School Revolving Fund;
- 11 ▶ requires the study group to examine charter school administrative costs and funding options;
- 13 ▶ directs the State Board of Education to report to the Legislature by December 1, 2026;and
- 14 ▶ ~~{creates charter school educational service agencies to provide economies of scale for~~
15 ~~charter schools;}~~
- 16 ▶

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~~{ allows charter schools to form a service agency through a memorandum of understanding; and }~~

18 ▶ makes technical changes.

18 Money Appropriated in this Bill:

19 ▶ This bill appropriates {~~\$15,995,000~~} \$3,600,000 in operating and capital budgets for fiscal year
20 of which is from the various sources as detailed in this bill.

21 Other Special Clauses:

22 This bill provides a special effective date.

23 Utah Code Sections Affected:

24 AMENDS:

25 **53F-2-706 (Effective upon governor's approval)**, as last amended by Laws of Utah 2023, Chapter
26 467

27 **53F-9-203 (Effective upon governor's approval), as last amended by Laws of Utah 2024,**
28 **Chapter 507**

29 **53G-5-104 (Effective upon governor's approval), as last amended by Laws of Utah 2024,**
30 **Chapter 63**

31 **53G-5-401 (Effective upon governor's approval), as last amended by Laws of Utah 2024,**
32 **Chapter 63**

33 ENACTS:

34 **53F-9-203.1 (Effective upon governor's approval), Utah Code Annotated 1953**

35 **53G-5-406.5 (Effective upon governor's approval), Utah Code Annotated 1953**

36 ~~**53G-5-415 (Effective upon governor's approval), Utah Code Annotated 1953**~~

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

38 Section 1. Section **53F-2-706** is amended to read:

39 **53F-2-706. Small charter school base funding -- Base funding study.**

35 (1) Subject to legislative appropriation, the state board shall distribute small charter school base funding
to charter schools with 2,000 or fewer students in the amount of the greater of \$40,000 or \$115 per
student.

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- (2) A charter school's eligibility for small charter school base funding is determined by the charter school's student enrollment on October 1 of a given year.
- 40 (3) Notwithstanding this section and subject to legislative appropriations, including intent language for the applicable fiscal year, the state board may distribute to charter schools, regardless of size, one-time funding that the Legislature appropriates~~[-to mitigate funding losses as described in legislative appropriations]~~.
- 44 (4)
- (a) Subject to legislative appropriations, the state board shall coordinate and facilitate a comprehensive study of administrative and base funding costs for charter schools.
- 46 (b) The study described in Subsection (4)(a) shall include the following members to constitute the study group:
- 48 ~~{(i) {one member of the Senate whom the president of the Senate appoints;}}~~
- 49 ~~{(ii) {one member of the House of Representatives whom the speaker of the House of Representatives appoints;}}~~
- 51 (iii){(i)} a charter school business administrator from a small charter school whom the chair of the state board appoints;
- 53 (iv){(ii)} a charter school director from a large charter school whom the chair of the state board appoints;
- 55 (v){(iii)} a school district business administrator whom the chair of the state board appoints;
- 56 (vi){(iv)} the director of each charter school association that has a member charter school operating in the state, or the director's designee;
- 58 (vii){(v)} a member of the Utah State Charter School Board whom the chair of the state board appoints;
- 60 (viii){(vi)} a member of the state board whom the chair of the state board appoints;
- 61 (ix){(vii)} relevant staff from the state board whom the chair of the state board appoints;and
- 62 ~~{(x) {a representative from the Legislative Fiscal Analyst Office whom the director of the Legislative Fiscal Analyst Office appoints; and}}~~
- 64 (xi){(viii)} a representative from the Governor's Office of Planning and Budget whom the director of the Governor's Office of Planning and Budget appoints.
- 66 (c) The chair of the state board shall:
- 67 (i) convene the first meeting of the study group no later than April 1, 2026; and
- 68 (ii) designate a member of the study group to serve as chair of the study group.

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- 69 (5) The study group described in Subsection (4)(b) shall:
- 70 (a) examine how factors such as school size, enrollment scale, and operational models impact the
relative costs of operating charter schools;
- 72 (b) analyze the adequacy and effectiveness of the charter school base funding formula in addressing
economies of scale challenges faced by charter schools of varying sizes;
- 74 (c) compare administrative and operational cost structures across charter schools of different sizes and
configurations and applicable districts;
- 76 (d) evaluate whether current funding mechanisms appropriately account for:
- 77 (i) fixed costs that do not scale proportionally with enrollment;
- 78 (ii) administrative requirements mandated by state and federal law; and
- 79 (iii) operational efficiencies or challenges unique to charter schools;
- 80 (e) consider funding models used in other states or jurisdictions that may provide insights for the charter
school funding system; and
- 82 (f) identify any additional factors that significantly impact charter school operational costs beyond those
currently considered in the funding formula.
- 84 (6) The state board shall submit a report to the Public Education Appropriations Subcommittee no later
than December 1, 2026, that includes:
- 86 (a) findings from the study described in this section;
- 87 (b) recommendations for any modifications to the charter school base funding formula;
- 88 (c) proposed criteria or metrics for evaluating the ongoing adequacy of charter school base funding;
- 90 (d) estimated fiscal impacts of any recommended changes; and
- 91 (e) a proposed timeline for implementation of any recommended modifications.
- 92 (7) Subject to legislative appropriations, the state board may contract with a qualified third party,
including institutions of higher education or research organizations, to conduct part of the study
described in this section.

98 Section 2. Section 53F-9-203 is amended to read:

99 **53F-9-203. Charter School Revolving Account.**

- 101 (1)
- (a) The terms defined in Section 53G-5-102 apply to this section.
- 102 (b) As used in this section, "account" means the Charter School Revolving Account.
- 103 (2)

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- (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:
- 105 (i) meet school building construction and renovation needs; and
- 106 (ii) pay for expenses related to the start[-]up of a new charter school or the expansion of an existing charter school.
- 108 (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.
- 111 (3) The Charter School Revolving Account shall consist of:
- 112 (a) money appropriated to the account by the Legislature;
- 113 (b) money received from the repayment of loans made from the account; and
- 114 (c) interest earned on money in the account.
- 115 (4) The state superintendent shall make loans to charter schools from the account to pay for the costs of:
- 117 (a) planning expenses;
- 118 (b) constructing or renovating charter school buildings;
- 119 (c) equipment and supplies; or
- 120 (d) other start-up or expansion expenses.
- 121 (5) Loans to new charter schools or charter schools with urgent facility needs may be given priority.
- 123 (6) The state board shall:
- 124 (a) review requests by charter schools for loans under this section; and
- 125 (b) in consultation with the State Charter School Board, approve or reject each request.
- 126 (7) A loan under this section may not be made unless the state board, in consultation with the State Charter School Board, approves the loan.
- 128 (8) The term of a loan to a charter school under this section may not exceed five years.
- 129 (9) The state board may not approve loans to charter schools under this section that exceed a total of \$2,000,000 in any fiscal year.
- 131 (10)
- (a) On March 16, 2011, the assets of the Charter School Building Subaccount administered by the state board shall be deposited into the Charter School Revolving Account.
- 134 (b) Beginning on March 16, 2011, loan payments for loans made from the Charter School Building Subaccount shall be deposited into the Charter School Revolving Account.
- 137 (11)

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(a) On July 1, 2026, the state board shall transfer into the Charter School Revolving Fund created in Section 53F-9-203.1 the assets, unused money, and obligations of the Charter School Revolving Account administered under this section.

140 (b) Beginning July 1, 2026, the state board shall deposit loan payments received for loans made under this section into the Charter School Revolving Fund established in Section 53F-9-203.1.

143 Section 3. Section 3 is enacted to read:

144 **53F-9-203.1. Charter School Revolving Fund.**

146 (1) As used in this section:

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

148 (b) "Fund" means the Charter School Revolving Fund.

149 (2)

(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:

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

152 (ii) pay for expenses related to the startup of a new charter school or the expansion of an existing charter school.

154 (b) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the Utah Charter Finance Authority shall make rules to administer the fund including:

156 (i) establishing the interest rates of loans;

157 (ii) amortization schedules for loans; and

158 (iii) other terms of repayment.

159 (3) The fund shall consist of:

160 (a) assets and money deposited in accordance with Subsection (9);

161 (b) money the Legislature appropriates to the fund;

162 (c) money received from the repayment of loans made from the fund; and

163 (d) interest earned on money in the fund.

164 (4) The Utah Charter Finance Authority shall make loans to charter schools from the fund for a loan of:

166 (a) up to \$1,000,000 to a charter school for a school facility addition or expansion; or

167 (b) up to 25% of a requested loan amount to a charter school for the acquisition or construction of a school facility.

169 (5) The Utah Charter Finance Authority shall:

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- 170 (a) review requests by charter schools for loans under this section; and
171 (b) approve or reject each request.
172 (6) The Utah Charter Finance Authority:
173 (a) shall:
174 (i) make a loan that is secured by a promissory note and a deed of trust from the charter school; and
176 (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
178 (b) may make a loan that is subordinate to senior debt.
179 (7) A loan under this section may not be made unless the Utah Charter Finance Authority approves the
loan.
181 (8) The Utah Charter Finance Authority shall set the term of a loan to a charter school under this
section.
183 (9)
(a) On July 1, 2026, the state board shall transfer into the fund the assets, unused money, and
obligations of the Charter School Revolving Account administered under Section 53F-9-203.
186 (b) Beginning on July 1, 2026, the state board shall deposit loan payments for loans made from the
Charter School Revolving Account into the fund.

Section 4. Section 53G-5-104 is amended to read:

53G-5-104. Purpose of charter schools -- Charter schools are public schools.

- 191 (1) The purposes of the state's charter schools are to enhance school choice, meet the unique needs of
Utah families, and encourage innovation within the public education system by:
194 [(1)] (a) continuing to improve student learning;
195 [(2)] (b) encouraging the use of different and innovative teaching methods;
196 [(3)] (c) creating new professional opportunities for educators that allow educators to actively
participate in designing and implementing learning programs at the school;
198 [(4)] (d) increasing choice of learning opportunities for students;
199 [(5)] (e) establishing new educational models and new forms of accountability that emphasize unique
performance measures and innovative measurement tools to measure education outcomes;
202 [(6)] (f) providing opportunities for greater parental involvement in governance decisions at the school
level;

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207 [(7)] (g) expanding public school choice in areas where there is a lack of school choice or where
schools have been identified for school improvement, corrective action, or restructuring; and

208 [(8)] (h) collaborating within the public education system.

209 (2) As described in Section 53G-5-401, a charter school is a public school for all purposes under Utah
law, including:

210 (a) the Legislature's authority under Utah Constitution, Article X, Section 3, to designate schools and
educational programs, including charter schools, as part of the public education system;

211 (b) eligibility for public funding and resources;

212 (c) access to public facilities and property;

213 (d) participation in public school programs and initiatives; and

214 (e) application of laws governing an LEA.

215 Section 5. Section 53G-5-401 is amended to read:

216 **53G-5-401. Status of charter schools.**

217 (1) Charter schools[-are]:

218 (a) are considered to be public schools within the state's public education system;

219 (b) are subject to Subsection 53E-3-401(8); and

220 (c) shall be governed by an independent [boards] board whose members have taken the oath of office
as described in Section 53G-5-406.5, and held accountable to a legally binding written contractual
agreement.

221 (2) A charter school may be established by:

222 (a) creating a new school; or

223 (b) converting an existing district school to charter status.

224 (3) A parochial school or home school is not eligible for charter school status.

225 Section 6. Section 6 is enacted to read:

226 **53G-5-406.5. Oath of office for charter school governing board members.**

227 (1) Before entering upon the duties of office, each charter school governing board member shall take
and subscribe to the following oath: "I do solemnly swear that I will support, obey, and defend the
Constitution of the United States and the Constitution of the State of Utah, and that I will discharge
the duties of my office as a charter school governing board member with fidelity."

228 (2) The charter school's authorizer shall ensure the oath is administered by:

229 (a) in accordance with Section 78B-1-142, any person authorized to administer oaths;

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- 239 (b) for a newly authorized charter school, a representative of the charter school's authorizer; or
241 (c) after the initial board is sworn in, the chair or another member of the charter school governing
board.
- 243 (3) The charter school shall:
244 (a) in accordance with Subsection 51-1-2(2), maintain a record of each governing board member's oath;
and
246 (b) provide proof of compliance to the charter school's authorizer upon request.

95 Section 2. Section 2 is enacted to read:

96 **53G-5-415. Charter school educational service agencies.**

- 98 (1) As used in this section:
99 (a) "Charter school educational service agency" means an entity formed by two or more charter schools
under a memorandum of understanding with the authority and duties described in this section.
102 (b) "Member charter school" means a charter school that enters into a memorandum of understanding to
form or participate in a charter school educational service agency.
- 104 (2) The Legislature strongly encourages charter schools to collaborate and cooperate to provide
educational services in a manner that uses resources efficiently for the overall operation of the
charter school system.
- 107 (3) A charter school educational service agency formed by a memorandum of understanding:
109 (a) may apply directly for any grant or program in which an LEA may participate if the agency has the
written consent of a majority of member charter schools that the agency serves;
112 (b) may receive a service from or partner with any department, division, or agency of the state,
including coverage by the Division of Risk Management;
114 (c) may recommend an educator for licensing;
115 (d) may provide a service for a student as agreed upon in the memorandum of understanding approved
by the charter school educational service agency's governing body;
118 (e) may access as necessary an LEA system that the state board provides; and
119 (f) does not have authority over a member charter school that the agency serves.
- 120 (4) A charter school educational service agency may elect to participate as an employer for a retirement
program under:
122 (a) Title 49, Chapter 12, Public Employees' Contributory Retirement Act;
123 (b) Title 49, Chapter 13, Public Employees' Noncontributory Retirement Act; and

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- 124 (c) Title 49, Chapter 22, New Public Employees' Tier II Contributory Retirement Act.
125 (5)
- (a) A memorandum of understanding that forms a charter school educational service agency shall:
- 127 (i) identify each member charter school;
128 (ii) describe the purpose and scope of the charter school educational service agency;
129 (iii) establish a governing structure for the charter school educational service agency, including fees
and appropriate costs for services to be provided by the agency;
131 (iv) specify the terms of the memorandum of understanding; and
132 (v) describe the process by which a member charter school may withdraw from the charter school
educational service agency.
- 134 (b) A member charter school may withdraw from a charter school educational service agency in
accordance with the memorandum of understanding.
- 136 (6)
- (a) Subject to legislative appropriations, the state board shall distribute funding to a charter school
educational service agency as provided by the Legislature.
- 138 (b) The state board may provide funding to a charter school educational service agency in addition to a
legislative appropriation.
- 140 (7) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the state board
shall make a rule regarding charter school educational service agencies similar to the rules for the
Regional Education Service Agencies, including:
- 143 (a) the authority, scope, and duty of a charter school educational service agency;
144 (b) the distribution of a legislative appropriation to a charter school educational service agency; and
146 (c) the designation of a charter school educational service agency as an agent to distribute a service.
- 148 (8) The state board shall annually:
- 149 (a) review the funding the Legislature appropriates to support a charter school educational service
agency; and
- 151 (b) recommend an adjustment as part of the state board's annual budget request.

247 Section 7. **FY 2027 Appropriations.**

248 The following sums of money are appropriated for the fiscal year beginning July 1,
249 2026, and ending June 30, 2027. These are additions to amounts previously appropriated for
250 fiscal year 2027.

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251 Subsection 7(a). **Operating and Capital Budgets**

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

255 ITEM 1 To State Board of Education - Minimum School Program - Related to Basic
256 School Programs

257 From Public Education Economic Stabilization Restricted Account, {~~14,495,000~~} 3,100,000

258 Schedule of Programs:

260 Charter School Funding Base Program {~~14,495,000~~} 3,100,000

261 (1) The Legislature intends the state board to
262 provide additional base funding to charter schools above
263 the amounts directed in Section 53F-2-706 using a
264 formula approved by the state board that distributes no
265 more than \$220,000 in total base funding to any charter
266 school with amounts decreasing proportionately for each
267 additional student.

268 (2) The Legislature further intends the formula to
269 distribute no more than \$175,000 to charters with more
270 than 2,000 students and for smaller charter schools, no
271 more than what the state board's formula would provide
272 per student for a charter school with 100 students.

273 (3) The Legislature further intends the study
274 described in Section 53F-2-706 shall be funded from this
275 appropriation not to exceed \$70,000.

276 ITEM 2 To State Board of Education - Regional Education Service Agencies

277 From Public Education Economic Stabilization Restricted Account, On {~~1,500,000~~} 500,000

278 Schedule of Programs:

280 Charter School Educational Service Agency {~~1,500,000~~} 500,000

281 Section 8. **Effective date.**

Effective Date.

This bill takes effect:

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- 188 (1) except as provided in Subsection (2), May 6, 2026; or
189 (2) if approved by two-thirds of all members elected to each house:
190 (a) upon approval by the governor;
191 (b) without the governor's signature, the day following the constitutional time limit of Utah
Constitution, Article VII, Section 8; or
193 (c) in the case of a veto, the date of veto override.

3-4-26 1:55 PM