

Charter School Base Funding Amendments

2026 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Heidi Balderree

House Sponsor: Candice B. Pierucci

LONG TITLE**General Description:**

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

Highlighted Provisions:

This bill:

- requires a study of charter school administrative costs and funding options;
 - establishes a charter school base funding study group with specific membership;
 - requires the study group to examine charter school administrative costs and funding options;
 - directs the State Board of Education to report to the Legislature by December 1, 2026;
 - creates charter school educational service agencies to provide economies of scale for charter schools;
 - allows charter schools to form a service agency through a memorandum of understanding;
- and
- makes technical changes.

Money Appropriated in this Bill:

This bill appropriates \$15,995,000 in operating and capital budgets for fiscal year 2027, 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:

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

ENACTS:

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

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

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

53F-2-706 (Effective upon governor's approval). Small charter school base funding -- Base funding study.

(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.

(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.

(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~~].

(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.

(b) The study described in Subsection (4)(a) shall include the following members to constitute the study group:

(i) one member of the Senate whom the president of the Senate appoints;

(ii) one member of the House of Representatives whom the speaker of the House of Representatives appoints;

(iii) a charter school business administrator from a small charter school whom the chair of the state board appoints;

(iv) a charter school director from a large charter school whom the chair of the state board appoints;

(v) a school district business administrator whom the chair of the state board appoints;

(vi) the director of each charter school association that has a member charter school operating in the state, or the director's designee;

(vii) a member of the Utah State Charter School Board whom the chair of the state board appoints;

(viii) a member of the state board whom the chair of the state board appoints;

(ix) relevant staff from the state board whom the chair of the state board appoints;

(x) a representative from the Legislative Fiscal Analyst Office whom the director of the Legislative Fiscal Analyst Office appoints; and

(xi) a representative from the Governor's Office of Planning and Budget whom the

- 65 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.
- 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
- 71 impact the relative costs of operating charter schools;
- 72 (b) analyze the adequacy and effectiveness of the charter school base funding formula in
- 73 addressing economies of scale challenges faced by charter schools of varying sizes;
- 74 (c) compare administrative and operational cost structures across charter schools of
- 75 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
- 81 insights for the charter school funding system; and
- 82 (f) identify any additional factors that significantly impact charter school operational
- 83 costs beyond those currently considered in the funding formula.
- 84 (6) The state board shall submit a report to the Public Education Appropriations
- 85 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
- 89 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
- 93 party, including institutions of higher education or research organizations, to conduct
- 94 part of the study described in this section.

95 Section 2. Section **53G-5-415** is enacted to read:

96 **53G-5-415 (Effective upon governor's approval). Charter school educational**

97 **service agencies.**

- 98 (1) As used in this section:

- 99 (a) "Charter school educational service agency" means an entity formed by two or more
100 charter schools under a memorandum of understanding with the authority and duties
101 described in this section.
- 102 (b) "Member charter school" means a charter school that enters into a memorandum of
103 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
105 provide educational services in a manner that uses resources efficiently for the overall
106 operation of the charter school system.
- 107 (3) A charter school educational service agency formed by a memorandum of
108 understanding:
- 109 (a) may apply directly for any grant or program in which an LEA may participate if the
110 agency has the written consent of a majority of member charter schools that the
111 agency serves;
- 112 (b) may receive a service from or partner with any department, division, or agency of the
113 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
116 understanding approved by the charter school educational service agency's governing
117 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
121 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
- 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
126 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,
130 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

- 133 charter school educational service agency.
- 134 (b) A member charter school may withdraw from a charter school educational service
- 135 agency in accordance with the memorandum of understanding.
- 136 (6)(a) Subject to legislative appropriations, the state board shall distribute funding to a
- 137 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
- 139 in addition to a legislative appropriation.
- 140 (7) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the
- 141 state board shall make a rule regarding charter school educational service agencies
- 142 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
- 145 agency; and
- 146 (c) the designation of a charter school educational service agency as an agent to
- 147 distribute a service.
- 148 (8) The state board shall annually:
- 149 (a) review the funding the Legislature appropriates to support a charter school
- 150 educational service agency; and
- 151 (b) recommend an adjustment as part of the state board's annual budget request.

152 **Section 3. FY 2027 Appropriations.**

153 The following sums of money are appropriated for the fiscal year beginning July 1,

154 2026, and ending June 30, 2027. These are additions to amounts previously appropriated for

155 fiscal year 2027.

156 **Subsection 3(a). Operating and Capital Budgets**

157 Under the terms and conditions of Title 63J, Chapter 1, Budgetary Procedures Act, the

158 Legislature appropriates the following sums of money from the funds or accounts indicated for

159 the use and support of the government of the state of Utah.

160 **ITEM 1 To State Board of Education - Minimum School Program - Related to Basic**

161 **School Programs**

162 From Public Education Economic Stabilization

163 Restricted Account, One-time

14,495,000

164 Schedule of Programs:

165 Charter School Funding Base Program

14,495,000

166 (1) The Legislature intends the state board to

provide additional base funding to charter schools above the amounts directed in Section 53F-2-706 using a formula approved by the state board that distributes no more than \$220,000 in total base funding to any charter school with amounts decreasing proportionately for each additional student.

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

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

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

From Public Education Economic Stabilization

Restricted Account, One-time

1,500,000

Schedule of Programs:

Charter School Educational Service Agency

1,500,000

Section 4. **Effective Date.**

This bill takes effect:

(1) except as provided in Subsection (2), May 6, 2026; or

(2) if approved by two-thirds of all members elected to each house:

(a) upon approval by the governor;

(b) without the governor's signature, the day following the constitutional time limit of Utah Constitution, Article VII, Section 8; or

(c) in the case of a veto, the date of veto override.