2012 Utah Laws Ch. 201 (S.B. 152)

UTAH 2012 SESSION LAWS
59th LEGISLATURE, 2012 GENERAL SESSION

Additions are indicated by Text; deletions by Text.
Vetoes are indicated by Text; stricken material by Text.

Ch. 201
S.B. 152
CHARTER SCHOOL FINANCING

2012 GENERAL SESSION
STATE OF UTAH
Chief Sponsor: John L. Valentine
House Sponsor: Derek E. Brown

LONG TITLE

General Description:
This bill amends provisions regarding the financing of charter schools, establishes the Charter School Credit Enhancement Program, and establishes the Charter School Reserve Account.

Highlighted Provisions:
This bill:

. prohibits a chartering entity from terminating the charter of a qualifying charter school with outstanding bonds issued pursuant to the Charter School Credit Enhancement Program without mutual agreement of the Utah Charter School Finance Authority and the chartering entity;
. changes the name of the State Charter School Finance Authority to the Utah Charter School Finance Authority;
. establishes the Charter School Credit Enhancement Program;
. requires the Utah Charter School Finance Authority to establish criteria for a charter school to be designated as a qualifying charter school for purposes of issuing bonds pursuant to the Charter School Credit Enhancement Program;
. creates the Charter School Reserve Account;
. sets Charter School Reserve Account contribution requirements for qualifying charter schools;
. requires the Utah Charter School Finance Authority to notify the governor of a shortfall in a qualifying charter school’s
debt service reserve fund if the qualifying charter school has outstanding bonds issued pursuant to the Charter School Credit Enhancement Program;

. requires the governor to notify the Legislature, and request the Legislature to appropriate money to cover a shortfall of a qualifying charter school’s debt service reserve fund;

. limits the amount of bonds that may be issued under the Charter School Credit Enhancement Program;

. defines terms; and

. makes technical changes.

Money Appropriated in this Bill:

This bill appropriates:

. to the State Board of Education--Charter School Reserve Account, as a one-time appropriation for fiscal year 2012–13;
   * from the Education Fund, $3,000,000.

Other Special Clauses:

This bill takes effect on July 1, 2012.

Utah Code Sections Affected:

AMENDS:

11–17–20, as last amended by Laws of Utah 2008, Chapter 382
53A–1a–509, as last amended by Laws of Utah 2008, Chapter 382
53A–1a–510, as last amended by Laws of Utah 2008, Chapter 382
53A–20b–101, as enacted by Laws of Utah 2007, Chapter 167
53A–20b–102, as enacted by Laws of Utah 2007, Chapter 167
53A–20b–103, as last amended by Laws of Utah 2010, Chapter 286
53A–20b–104, as enacted by Laws of Utah 2007, Chapter 167
53A–20b–105, as enacted by Laws of Utah 2007, Chapter 167
63J–7–102, as last amended by Laws of Utah 2011, Chapter 370

ENACTS:

53A–20b–201, Utah Code Annotated 1953
53A–20b–202, Utah Code Annotated 1953
53A–20b–203, Utah Code Annotated 1953
53A–20b–204, Utah Code Annotated 1953
53A–20b–301, Utah Code Annotated 1953

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

Section 1. Section 11–17–20 is amended to read:


(1) The State Utah Charter School Finance Authority may exercise the powers granted to municipalities and counties by this chapter, subject to the same limitations as that imposed on a municipality or county under the chapter, except as provided by Title 53A, Chapter 20b, State Part 1, Utah Charter School Finance Authority Act.

(2) As used in this chapter, “governing body” when applied to the State Utah Charter School Finance Authority means the authority’s governing board as described in Section 53A–20b–103.

(3) Notwithstanding Section 11–17–15, a charter school that receives financing under this chapter is subject to Title 63G, Chapter 6, Utah Procurement Code.

Section 2. Section 53A–1a–509 is amended to read:

§ 53A–1a–509. Noncompliance--Rulemaking

(1)(a) If a charter school is found to be out of compliance with the requirements of Section 53A–1a–507 or the school’s charter, the chartering entity shall notify the school’s governing board following in writing that the charter school has a reasonable time to remedy the deficiency, except as otherwise provided in Subsection 53A–1a–510(3)(a)(4):

(a) the governing body of the charter school; and
(b) if the charter school is a qualifying charter school with outstanding bonds issued in accordance with Chapter 20b, Part 2, Charter School Credit Enhancement Program, the Utah Charter School Finance Authority.

(b)(2) If the charter school does not remedy the deficiency within the established timeline, the chartering entity may:

(a) subject to the requirements of Subsection (4), take one or more of the following actions:

(i) remove a charter school director or finance officer;
(ii) remove a governing board member; or
(iii) appoint an interim director or mentor to work with the charter school; or

(b) subject to the requirements of Section 53A–1a–510, terminate the school’s charter.

(3) The costs of an interim director or mentor appointed pursuant to Subsection (1)(b)(2)(a) shall be paid from the funds of the charter school for which the interim director or mentor is working.

(4) The chartering entity shall notify the Utah Charter School Finance Authority before the chartering entity takes an
action described in Subsections (2)(a)(i) through (iii) if the charter school is a qualifying charter school with outstanding bonds issued in accordance with Chapter 20b, Part 2, Charter School Credit Enhancement Program.

(2) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the State Board of Education shall make rules:

(a) specifying the timeline for remediating deficiencies under Subsection (1)(a); and

(b) ensuring the compliance of a charter school with its approved charter.

Section 3. Section 53A–1a–510 is amended to read:

§ 53A–1a–510. Termination of a charter

(1) A chartering entity may terminate a school’s charter for any of the following reasons:

(a) failure of the charter school to meet the requirements stated in the charter;

(b) failure to meet generally accepted standards of fiscal management;

(c) subject to Subsection (6), failure to make adequate yearly progress under the No Child Left Behind Act of 2001, 20 U.S.C. Sec. 6301 et seq.;

(d) violation of requirements under this part or another law; or

(e) other good cause shown.

(2)(a) The chartering entity shall notify the governing body of the school following of the proposed termination in writing, state the grounds for the termination, and stipulate that the governing body may request an informal hearing before the chartering entity:

(i) the governing body of the charter school; and

(ii) if the charter school is a qualifying charter school with outstanding bonds issued in accordance with Chapter 20b, Part 2, Charter School Credit Enhancement Program, the Utah Charter School Finance Authority.

(b) The except as provided in Subsection (2)(e), the chartering entity shall conduct the hearing in accordance with Title 63G, Chapter 4, Administrative Procedures Act, within 30 days after receiving a written request under Subsection (2)(a).

(c) If the chartering entity, by majority vote, approves a motion to terminate a charter school, the governing body of the charter school may appeal the decision to the State Board of Education.

(d)(i) If the chartering entity proposes to terminate the charter of a qualifying charter school with outstanding bonds issued in accordance with Chapter 20b, Part 2, Charter School Credit Enhancement Program, the chartering entity shall conduct a hearing described in Subsection (2)(b) 120 days or more after notifying the following of the proposed termination:

(A) the governing body of the qualifying charter school; and
(B) the Utah Charter School Finance Authority.

(ii) Prior to the hearing described in Subsection (2)(e)(i), the Utah Charter School Finance Authority shall meet with the chartering entity to determine whether the deficiency may be remedied in lieu of termination of the qualifying charter school’s charter.

(3) A chartering entity may not terminate the charter of a qualifying charter school with outstanding bonds issued in accordance with Chapter 20b, Part 2, Charter School Credit Enhancement Program, without mutual agreement of the Utah Charter School Finance Authority and the chartering entity.

(4)(a) In accordance with Title 63G, Chapter 3, Utah Administrative Rulemaking Act, the State Board of Education shall make rules that require a charter school to report any threats to the health, safety, or welfare of its students to the State Charter School Board in a timely manner.

(b) The rules under Subsection (3)(4)(a) shall also require the charter school report to include what steps the charter school has taken to remedy the threat.

(5) Subject to the requirements of Subsection (3), the chartering entity may terminate a charter immediately if good cause has been shown or if the health, safety, or welfare of the students at the school is threatened.

(6)(a) If a charter is terminated during a school year:

(b) a private management company may be hired to operate the charter school.

(7)(a) If a charter is terminated, a student who attended the school may apply to and shall be enrolled in another public school under the enrollment provisions of Title 53A, Chapter 2, Part 2, District of Residency, subject to space availability.

(b) Normal application deadlines shall be disregarded under Subsection (6)(7)(a).

(8) Subject to the requirements of Subsection (3), a chartering entity may terminate a charter pursuant to Subsection (1)(c) under the same circumstances that local educational agencies are required to implement alternative governance arrangements under 20 U.S.C. Sec. 6316.

Section 4. Section 53A–20b–101 is amended to read:

CHAPTER 20b

CHARTER SCHOOL FINANCING

Part 1. Utah Charter School Finance Authority

<< UT ST § 53A–20b–101 >>
This chapter is known as the “State Utah Charter School Finance Authority Financing Act.”

Section 5. Section 53A–20b–102 is amended to read:

§ 53A–20b–102. Definitions

As used in this chapter:

(1) “Annual charter school enrollment” means the total enrollment of all students in the state enrolled in a charter school in grades kindergarten through grade 12, based on October 1 enrollment counts.

(2) “Annual state enrollment” means the total enrollment of all students in the state enrolled in a public school in grades kindergarten through grade 12, based on October 1 enrollment counts.

(3) “Authority” means the State Utah Charter School Finance Authority created by this chapter part.

(4) “Board” means the governing board of the authority described in Section 53A–20b–103.

(5) “Charter school” means a school created under Title 53A, Chapter 1a, Part 5, The Utah Charter Schools Act.

(6) “Credit enhancement program” means the Charter School Credit Enhancement Program established in Part 2, Charter School Credit Enhancement Program.

(7) “Debt service reserve fund” means the reserve fund created or established by, or for the benefit of, a qualifying charter school for the purpose of paying principal of and interest on bonds issued under the credit enhancement program as the payments become due and other money of the qualifying charter school is not available to make the payments.

(8) “Debt service reserve fund requirement” means, as of a particular date of computation, and with respect to a particular issue of bonds, the amount required to be on deposit in the debt service reserve fund, which amount:

(a) may be a sum certain or as set forth in a formula; and

(b) may not be less than the maximum annual debt service requirement for the related bonds.

(9)(a) “Obligations” mean any notes, debentures, revenue bonds, or other evidences of financial indebtedness, except as provided in Subsection (9)(b).

(b) “Obligations” do not include general obligation bonds.

(10) “Project” means:

(a) any building, structure, or property owned, or to be acquired, or used by a charter school for any of its educational purposes and the related appurtenances, easements, rights-of-way, improvements, paving, utilities, landscaping, parking facilities, and lands; or

(b) any capital equipment owned, or to be acquired, or used by a charter school for any of its educational purposes, interests in land, and grounds, together with the personal property necessary, convenient, or appurtenant to them.

(11) “Qualifying charter school” means a charter school that:
(a) meets standards adopted by the authority for participation in the credit enhancement program; and
(b) is designated by the authority as a qualifying charter school for purposes of participation in the credit enhancement program.


Section 6. Section 53A–20b–103 is amended to read:

§ 53A–20b–103. Utah Charter School Finance Authority created--Members--Compensation--Services
(1) There is created a body politic and corporate known as the State Utah Charter School Finance Authority. The authority is created to provide an efficient and cost-effective method of financing charter school facilities.

(2) The governing board of the authority shall be composed of:

(a) the governor or the governor’s designee;

(b) the state treasurer; and

(c) the state superintendent of public instruction or the state superintendent’s designee.

(3) A member may not receive compensation or benefits for the member’s service, but may receive per diem and travel expenses in accordance with:

(a) Section 63A–3–106;

(b) Section 63A–3–107; and

(c) rules made by the Division of Finance pursuant to Sections 63A–3–106 and 63A–3–107.

(4) Upon request, the State Board of Education shall provide staff support to the authority.

Section 7. Section 53A–20b–104 is amended to read:

§ 53A–20b–104. Powers and duties of authority
(1) The authority shall have perpetual succession as a body politic and corporate.

(2) The authority may:

(a) sue and be sued in its own name;

(b) have, and alter at will, an official seal;

(c) contract with experts, advisers, consultants, and agents for needed services;

(d) receive and accept aid or contributions from any source, including the United States or this state, in the form of money,
property, labor, or other things of value to be held, used, and applied to carry out the purposes of this part, subject to the conditions upon which the aid and contributions are made, for any purpose consistent with this part;

(e) exercise the powers granted to municipalities and counties pursuant to Title 11, Chapter 17, Utah Industrial Facilities and Development Act, including the power to borrow money and issue obligations, including refunding obligations, subject to the same limitations as that imposed on a municipality or county under the act, except:

(i) the authority may only exercise powers under the act to finance or refinance a project as defined in Section 53A–20b–102; and

(ii) the authority’s area of operation shall include all areas of the state;

(f) employ advisers, consultants, and agents, including financial experts, independent legal counsel, and any advisers, consultants, and agents as may be necessary in its judgment and fix their compensation;

(g) make and execute contracts and other instruments necessary or convenient for the performance of its duties and the exercise of its powers and functions; and

(h) in accordance with Section 53A–20b–201, designate a charter school as a qualifying charter school for purposes of participation in the credit enhancement program; and

(i) have and exercise any other powers or duties that are necessary or appropriate to carry out and effectuate the purposes of this chapter.

(3) The State Except as provided in Part 2, Charter School Credit Enhancement Program, the Utah Charter School Finance Authority may not exercise power in any manner which would create general or moral obligations of the state or of any agency, department, or political subdivision of the state.

Section 8. Section 53A–20b–105 is amended to read:

<< UT ST § 53A–20b–105 >>

§ 53A–20b–105. Limited obligations

Bonds Except as provided in Part 2, Charter School Credit Enhancement Program, bonds, notes, and other obligations issued by the authority:

(1) do not constitute a debt, moral obligation, or liability of the state, or of any county, city, town, school district, or any other political subdivision of the state;

(2) do not constitute the loan of credit of the state or of any county, city, town, school district, or any other political subdivision of the state; and

(3) may not be paid from funds other than loan payments or lease revenues received from a charter school or other funds pledged by a charter school.

Section 9. Section 53A–20b–201 is enacted to read:

Part 2. Charter School Credit Enhancement Program
§ 53A–20b–201. 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 qualifying charter schools 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 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) the financial strength of the charter school; and

(e) any other criteria the authority determines are relevant.

(4) The bonds issued by the authority 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).

(5) The authority shall notify the chartering entity 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.

(6) 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)(a) Except as provided in Subsection (7)(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) 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)(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.

(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.

(10) The authority may create and establish other funds for its purposes.

Section 10. Section 53A–20b–202 is enacted to read:

<< UT ST § 53A–20b–202 >>

(1) When bonds are issued under the credit enhancement program for a qualifying charter school, the qualifying charter school shall contribute money to the reserve account in the amount determined as provided in Subsection (2).

(2) The authority shall determine the up-front and ongoing requirements for contributions of money to the reserve account for each qualifying charter school.

Section 11. Section 53A–20b–203 is enacted to read:

<< UT ST § 53A–20b–203 >>

§ 53A–20b–203. Bond issuance
(1) (a) The state may not alter, impair, or limit the rights of bondholders or persons contracting with a qualifying charter school until the bonds, including interest and other contractual obligations, are fully met and discharged.

(b) Nothing in this chapter precludes an alteration, impairment, or limitation if provision is made by law for the protection of bondholders or persons entering into contracts with a qualifying charter school.

(2) The authority may require a qualifying charter school to vest in the authority the right to enforce any covenant made to secure bonds issued under the credit enhancement program by making appropriate provisions in the indenture related to the qualifying charter school’s bonds.

(3) The authority may require a qualifying charter school to make covenants and agreements in indentures or in a reimbursement agreement to protect the interests of the state and to secure repayment to the state of any money received by the qualifying charter school from an appropriation to restore amounts deposited in the qualifying charter school’s debt service reserve fund to the debt service reserve fund requirement.
(4) The authority may charge a fee to administer the issuance of bonds for a qualifying charter school.

Section 12. Section 53A–20b–204 is enacted to read:

<< UT ST § 53A–20b–204 >>

§ 53A–20b–204. 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;

(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 28, Utah School Bond Guaranty Act.

Section 13. Section 53A–20b–301 is enacted to read:

Part 3. Charter School Reserve Account

<< UT ST § 53A–20b–301 >>

(1) There is created within the Education Fund a restricted account known as the “Charter School Reserve Account.”

(2) The reserve account consists of:

(a) money credited to the account pursuant to Section 53A–20b–202;

(b) money appropriated to the account by the Legislature;

(c) all income and interest derived from the deposit and investment of money in the account;

(d) federal grants; and

(e) private donations.

(3) Money in the reserve account may be appropriated by the Legislature to:
(a) restore amounts on deposit in a debt service reserve fund of a qualifying charter school to the debt service reserve fund requirement;
(b) pay fees and expenses of the authority;
(c) pay the principal of and interest on bonds issued for a qualifying charter school; or
(d) otherwise provide financial assistance to a qualifying charter school.

Section 14. Section 63J–7–102 is amended to read:

<< UT ST § 63J–7–102 >>

§ 63J–7–102. Scope and applicability of chapter
(1) Except as provided in Subsection (2), and except as otherwise provided by a statute superseding provisions of this chapter by explicit reference to this chapter, the provisions of this chapter apply to each agency and govern each grant received on or after May 5, 2008.

(2) This chapter does not govern:

(a) a grant deposited into a General Fund restricted account;
(b) a grant deposited into a Trust and Agency Fund as defined in Section 51–5–4;
(c) a grant deposited into an Enterprise Fund as defined in Section 51–5–4;
(d) a grant made to the state without a restriction or other designated purpose that is deposited into the General Fund as free revenue;
(e) a grant made to the state that is restricted only to “education” and that is deposited into the Education Fund or Uniform School Fund as free revenue;
(f) in-kind donations;
(g) a tax, fees, penalty, fine, surcharge, money judgment, or other money due the state when required by state law or application of state law;
(h) a contribution made under Title 59, Chapter 10, Part 13, Individual Income Tax Contribution Act;
(i) a grant received by an agency from another agency or political subdivision;
(j) a grant to the Dairy Commission created in Title 4, Chapter 22, Dairy Promotion Act;
(k) a grant to the Utah Science Center Authority created in Title 63H, Chapter 3, Utah Science Center Authority;
(l) a grant to the Heber Valley Railroad Authority created in Title 63H, Chapter 4, Heber Valley Historic Railroad Authority;
(m) a grant to the Utah State Railroad Museum Authority created in Title 63H, Chapter 5, Utah State Railroad Museum Authority;
(n) a grant to the Utah Housing Corporation created in Title 9, Chapter 4, Part 9, Utah Housing Corporation Act;
(o) a grant to the Utah State Fair Corporation created in Title 63H, Chapter 6, Utah State Fair Corporation Act;
(p) a grant to the Workers’ Compensation Fund created in Title 31A, Chapter 33, Workers’ Compensation Fund;

(q) a grant to the Utah State Retirement Office created in Title 49, Chapter 11, Utah State Retirement Systems Administration;

(r) a grant to the School and Institutional Trust Lands Administration created in Title 53C, Chapter 1, Part 2, School and Institutional Trust Lands Administration;

(s) a grant to the Utah Communications Agency Network created in Title 63C, Chapter 7, Utah Communications Agency Network Act;

(t) a grant to the Medical Education Program created in Section 63C–8–102;

(u) a grant to the Utah Capital Investment Corporation created in Title 63M, Chapter 1, Part 12, Utah Venture Capital Enhancement Act;

(v) a grant to the State Utah Charter School Finance Authority created in Section 53A–20b–103;

(w) a grant to the State Building Ownership Authority created in Section 63B–1–304;

(x) a grant to the Utah Comprehensive Health Insurance Pool created in Section 31A–29–104; or

(y) a grant to the Military Installation Development Authority created in Section 63H–1–201.

(3) An agency need not seek legislative review or approval of grants under Part 2, Grant Approval Requirements, if:

(a) the governor has declared a state of emergency; and

(b) the grant is donated to the agency to assist victims of the state of emergency under Subsection 63K–4–201(1).

Section 15. Appropriation.

Under the terms and conditions of Title 63J, Chapter 1, Budgetary Procedures Act, the following sums of money are appropriated from resources not otherwise appropriated, or reduced from amounts previously appropriated, out of the funds or accounts indicated for the fiscal year beginning July 1, 2012 and ending June 30, 2013. These are additions to any amounts previously appropriated for fiscal year 2013.

To State Board of Education—Charter School Reserve Account

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<th>Schedule of Programs:</th>
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<td>Charter School Reserve Account</td>
<td>$3,000,000</td>
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Section 16. Effective date.
This bill takes effect on July 1, 2012.

Approved March 19, 2012