

1           **CHARTER SCHOOL OPERATIONS AND SCHOOL ACCOUNTING**

2                           **AMENDMENTS**

3                                   2020 GENERAL SESSION

4                                   STATE OF UTAH

5                           **Chief Sponsor: Jefferson Moss**

6                           Senate Sponsor: Daniel McCay

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8   **LONG TITLE**

9   **General Description:**

10           This bill amends certain provisions related to school accounting methods, and the  
11 approval, oversight, and closure of charter schools by an authorizer.

12   **Highlighted Provisions:**

13           This bill:

- 14           ▶ defines terms;
- 15           ▶ creates an initial review period before a charter school receives ongoing approval  
16 from an authorizer;
- 17           ▶ requires a charter school to use the same accounting methods as district schools;
- 18           ▶ requires district schools to use certain accounting methods; and
- 19           ▶ permits authorizers to:
  - 20           • request financial documents from a charter school;
  - 21           • petition a district court to appoint a receiver for a charter school on certain  
22 grounds;
  - 23           • transfer operation and control of a charter school to a high performing charter  
24 school under certain circumstances; and
  - 25           • transfer students from a closing charter school to another charter school.

26   **Money Appropriated in this Bill:**

27           None

28   **Other Special Clauses:**

29           None

30 Utah Code Sections Affected:

31 AMENDS:

32 53G-4-404, as last amended by Laws of Utah 2019, Chapters 293 and 324

33 53G-5-404, as last amended by Laws of Utah 2019, Chapters 83 and 293

34 53G-5-405, as last amended by Laws of Utah 2019, Chapters 293 and 505

35 53G-5-501, as last amended by Laws of Utah 2019, Chapter 293

36 53G-5-502, as last amended by Laws of Utah 2019, Chapter 293

37 53G-5-503, as last amended by Laws of Utah 2019, Chapter 293

38 53G-5-504, as last amended by Laws of Utah 2019, Chapter 293

39 ENACTS:

40 53G-5-307, Utah Code Annotated 1953



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

43 Section 1. Section 53G-4-404 is amended to read:

44 **53G-4-404. Annual financial report -- Audit report.**

45 (1) (a) The annual financial report of each school district, containing items required by  
46 law or by the state board and attested to by independent auditors, shall be prepared as required  
47 by Section 51-2a-201.

48 (b) A school district shall use fund and program accounting methods and standardized  
49 account codes capable of producing financial reports that comply with:

50 (i) generally accepted accounting principles;

51 (ii) financial reporting requirements established by the state board under Section  
52 53E-3-501; and

53 (iii) accounting report standards established by the state auditor as described in Section  
54 51-2a-301.

55 (2) If auditors are employed under Section 51-2a-201, the auditors shall complete their  
56 field work in sufficient time to allow them to verify necessary audit adjustments included in the  
57 annual financial report to the state superintendent.

58 (3) (a) (i) The district shall forward the annual financial report to the state  
59 superintendent not later than October 1.

60 (ii) The report shall include information to enable the state superintendent to complete  
61 the statement of funds required under Section [53E-1-203](#).

62 (b) The state board shall publish electronically a copy of the report on the Internet not  
63 later than January 15.

64 (4) The completed audit report shall be delivered to the school district local school  
65 board and the state superintendent not later than November 30 of each year.

66 Section 2. Section **53G-5-307** is enacted to read:

67 **53G-5-307. Charter school authorization -- Initial review period.**

68 (1) An authorizer shall grant a charter school approved under this title initial approval  
69 for a three-year review period, beginning with the first year of the charter school's operation.

70 (2) Beginning in the first year of the initial review period, the authorizer shall comply  
71 with the accountability and review procedures described in Section [53G-5-406](#).

72 (3) The authorizer may extend the initial review period for one year, up to two times  
73 during the initial review period.

74 (4) At the end of the initial review period, the authorizer shall:

75 (a) grant the charter school ongoing approval; or

76 (b) terminate the charter agreement, subject to the requirements of Section [53G-5-503](#).

77 (5) The authorizer shall, under the minimum standards described in Section  
78 [53G-5-205](#), base the decision to grant ongoing approval or terminate the charter agreement on:

79 (a) the charter school's compliance with the terms of the charter agreement;

80 (b) whether the charter school is meeting academic standards in the charter school's  
81 charter agreement;

82 (c) the charter school's financial viability; and

83 (d) the charter school's capacity to meet governance standards.

84 (6) A charter school that is granted initial approval under this section may not  
85 participate in the Charter School Credit Enhancement Program until the authorizer grants

86 ongoing approval of the charter school's charter.

87 Section 3. Section **53G-5-404** is amended to read:

88 **53G-5-404. Requirements for charter schools.**

89 (1) A charter school shall be nonsectarian in its programs, admission policies,  
90 employment practices, and operations.

91 (2) A charter school may not charge tuition or fees, except those fees normally charged  
92 by other public schools.

93 (3) A charter school shall meet all applicable federal, state, and local health, safety, and  
94 civil rights requirements.

95 (4) (a) A charter school shall:

96 (i) make the same annual reports required of other public schools under this public  
97 education code, including an annual financial audit report described in Section 53G-4-404;  
98 [and]

99 (ii) ensure that the charter school meets the data and reporting standards described in  
100 Section 53E-3-501[-]; and

101 (iii) use fund and program accounting methods and standardized account codes capable  
102 of producing financial reports that comply with:

103 (A) generally accepted accounting principles;

104 (B) the financial reporting requirements applicable to LEAs established by the state  
105 board under Section 53E-3-501; and

106 (C) accounting report standards established by the state auditor as described in Section  
107 51-2a-301.

108 (b) Before, and as a condition for opening a charter school:

109 (i) a charter school shall:

110 (A) certify to the authorizer that the charter school's accounting methods meet the  
111 requirements described in Subsection (4)(a)(iii); or

112 (B) if the authorizer requires, conduct a performance demonstration to verify that the  
113 charter school's accounting methods meet the requirements described in Subsection (4)(a)(iii);

114 and

115 (ii) the authorizer shall certify to the state board that the charter school's accounting  
116 methods meet the requirements described in Subsection (4)(a)(iii).

117 ~~[(b)]~~ (c) A charter school shall file the charter school's annual financial audit report  
118 with the Office of the State Auditor within six months of the end of the fiscal year.

119 (d) For the limited purpose of compliance with federal and state law governing use of  
120 public education funds, including restricted funds, and making annual financial audit reports  
121 under this section, a charter school is a government entity governed by the public education  
122 code.

123 (5) (a) A charter school shall be accountable to the charter school's authorizer for  
124 performance as provided in the school's charter agreement.

125 (b) To measure the performance of a charter school, an authorizer may use data  
126 contained in:

- 127 (i) the charter school's annual financial audit report;
- 128 (ii) a report submitted by the charter school as required by statute; or
- 129 (iii) a report submitted by the charter school as required by its charter agreement.

130 (c) A charter school authorizer may not impose performance standards, except as  
131 permitted by statute, that limit, infringe, or prohibit a charter school's ability to successfully  
132 accomplish the purposes of charter schools as provided in Section 53G-5-104 or as otherwise  
133 provided in law.

134 (6) A charter school may not advocate unlawful behavior.

135 (7) Except as provided in Section 53G-5-305, a charter school shall be organized and  
136 managed under Title 16, Chapter 6a, Utah Revised Nonprofit Corporation Act, after its  
137 authorization.

138 (8) A charter school shall provide adequate liability and other appropriate insurance~~[-]~~,  
139 including:

140 (a) general liability, errors and omissions, and directors and officers liability coverage  
141 through completion of the closure of a charter school under Section 53G-5-504; and

142 (b) tail coverage or closeout insurance covering at least one year after closure of the  
143 charter school.

144 (9) Beginning on July 1, 2014, a charter school, including a charter school that has not  
145 yet opened, shall submit any lease, lease-purchase agreement, or other contract or agreement  
146 relating to the charter school's facilities or financing of the charter school's facilities to the  
147 school's authorizer and an attorney for review and advice [~~prior to~~] before the charter school  
148 [~~entering into~~] enters the lease, agreement, or contract.

149 (10) A charter school may not employ an educator whose license [~~has been~~] is  
150 suspended or revoked by the state board under Section [53E-6-604](#).

151 (11) (a) Each charter school shall register and maintain the charter school's registration  
152 as a limited purpose entity, in accordance with Section [67-1a-15](#).

153 (b) A charter school that fails to comply with Subsection (11)(a) or Section [67-1a-15](#) is  
154 subject to enforcement by the state auditor, in accordance with Section [67-3-1](#).

155 (12) (a) As used in this Subsection (12), "contracting entity" means a person with  
156 which a charter school contracts.

157 (b) A charter school shall provide to the charter school's authorizer any information or  
158 documents requested by the authorizer, including documents held by a subsidiary of the charter  
159 school or a contracting entity:

160 (i) to confirm the charter school's compliance with state or federal law governing the  
161 charter school's finances or governance; or

162 (ii) to carry out the authorizer's statutory obligations, including liquidation and  
163 assignment of assets, and payment of debt in accordance with state board rule, as described in  
164 Section [53G-5-504](#).

165 (c) A charter school shall comply with a request described in Subsection (12)(b),  
166 including after an authorizer recommends closure of the charter school or terminates the charter  
167 school's contract.

168 (d) Documents held by a contracting entity or subsidiary of a charter school that are  
169 necessary to demonstrate the charter school's compliance with state or federal law are the

170 property of the charter school.

171 (e) A charter school shall include in an agreement with a subsidiary of the charter  
172 school or a contracting entity a provision that stipulates that documents held by the subsidiary  
173 or a contracting entity, that are necessary to demonstrate the charter school's financial  
174 compliance with federal or state law, are the property of the charter school.

175 Section 4. Section **53G-5-405** is amended to read:

176 **53G-5-405. Application of statutes and rules to charter schools.**

177 (1) A charter school shall operate in accordance with its charter agreement and is  
178 subject to this public education code and other state laws applicable to public schools, except  
179 as otherwise provided in this chapter and other related provisions.

180 (2) (a) Except as provided in Subsection (2)(b), state board rules governing the  
181 following do not apply to a charter school:

- 182 (i) school libraries;
- 183 (ii) required school administrative and supervisory services; and
- 184 (iii) required expenditures for instructional supplies.

185 (b) A charter school shall comply with rules implementing statutes that prescribe how  
186 state appropriations may be spent.

187 (3) The following provisions of this public education code, and rules adopted under  
188 those provisions, do not apply to a charter school:

189 [~~(a) Section 53G-7-1202, requiring the establishment of a school community council;~~]

190 [~~(b) Section 53G-4-409, requiring the use of activity disclosure statements;~~]

191 [~~(c) Section 53G-7-606, requiring notification of intent to dispose of textbooks;~~]

192 [~~(d) Section 53G-10-404, requiring annual presentations on adoption;~~]

193 [~~(e) Sections 53G-7-304 and 53G-7-306 pertaining to fiscal procedures of school~~  
194 ~~districts and local school boards; and]~~

195 [~~(f) Section 53E-4-408, requiring an independent evaluation of instructional materials.]~~

196 (a) Section 53E-4-408, requiring an independent evaluation of instructional materials;

197 (b) Section 53G-4-409, requiring the use of activity disclosure statements;

198 (c) Sections 53G-7-304 and 53G-7-306, pertaining to fiscal procedures of school  
199 districts and local school boards;

200 (d) Section 53G-7-606, requiring notification of intent to dispose of textbooks;

201 (e) Section 53G-7-1202, requiring the establishment of a school community council;

202 and

203 (f) Section 53G-10-404, requiring annual presentations on adoption.

204 (4) For the purposes of Title 63G, Chapter 6a, Utah Procurement Code, a charter  
205 school is considered an educational procurement unit as defined in Section 63G-6a-103.

206 (5) Each charter school shall be subject to:

207 (a) Title 52, Chapter 4, Open and Public Meetings Act; and

208 (b) Title 63G, Chapter 2, Government Records Access and Management Act.

209 (6) A charter school is exempt from Section 51-2a-201.5, requiring accounting reports  
210 of certain nonprofit corporations. A charter school is subject to the requirements of Section  
211 53G-5-404.

212 (7) (a) The State Charter School Board shall, in concert with the charter schools, study  
213 existing state law and administrative rules for the purpose of determining from which laws and  
214 rules charter schools should be exempt.

215 (b) (i) The State Charter School Board shall present recommendations for exemption to  
216 the state board for consideration.

217 (ii) The state board shall consider the recommendations of the State Charter School  
218 Board and respond within 60 days.

219 Section 5. Section 53G-5-501 is amended to read:

220 **53G-5-501. Noncompliance -- Rulemaking.**

221 (1) If a charter school is found to be out of compliance with the requirements of  
222 Section 53G-5-404 or the school's charter agreement, the charter school authorizer shall notify  
223 the following in writing that the charter school has a reasonable time to remedy the deficiency,  
224 except as otherwise provided in Subsection 53G-5-503(4):

225 (a) the charter school governing board; and



226 (b) if the charter school is a qualifying charter school with outstanding bonds issued in  
227 accordance with Part 6, Charter School Credit Enhancement Program, the Utah Charter School  
228 Finance Authority.

229 (2) (a) If the charter school does not remedy the deficiency within the established  
230 timeline, the authorizer may:

231 [~~(a)~~] (i) subject to the requirements of Subsection (4), take one or more of the  
232 following actions:

233 [~~(i)~~] (A) remove a charter school director or finance officer;

234 [~~(ii)~~] (B) remove a charter school governing board member; [~~or~~]

235 [~~(iii)~~] (C) appoint an interim director [~~or~~], mentor, or finance officer to work with the  
236 charter school; or

237 (D) appoint a governing board member;

238 [~~(b)~~] (ii) subject to the requirements of Section [53G-5-503](#), terminate the school's  
239 charter agreement[~~;~~]; or

240 (iii) transfer operation and control of the charter school to a high performing charter  
241 school, as defined in Subsection [53G-5-502\(1\)](#), including reconstituting the governing board to  
242 effectuate the transfer.

243 (b) The authorizer may prohibit the charter school governing board from removing an  
244 appointment made under Subsection (2)(a)(i), for a period of up to one year after the date of the  
245 appointment.

246 (3) The costs of an interim director [~~or~~], mentor, or finance officer appointed [~~pursuant~~  
247 ~~to~~] under Subsection (2)(a) shall be paid from the funds of the charter school for which the  
248 interim director [~~or~~], mentor, or finance officer is working.

249 (4) The authorizer shall notify the Utah Charter School Finance Authority before the  
250 authorizer takes an action described in [~~Subsections~~] Subsection (2)(a)(i) [~~through (iii)~~] if the  
251 charter school is a qualifying charter school with outstanding bonds issued in accordance with  
252 Part 6, Charter School Credit Enhancement Program.

253 (5) The state board shall make rules:

- 254 (a) specifying the timeline for remedying deficiencies under Subsection (1); and
- 255 (b) ensuring the compliance of a charter school with its approved charter agreement.
- 256 (6) (a) An authorizer may petition the district court where a charter school is located or
- 257 incorporated to appoint a receiver, and the district court may appoint a receiver if the authorizer
- 258 establishes that the charter school:
- 259 (i) is subject to closure under Section 53G-5-503; and
- 260 (ii) (A) has disposed, or there is a demonstrated risk that the charter school will
- 261 dispose, of the charter school's assets in violation of Subsection 53G-5-403(4); or
- 262 (B) cannot, or there is a demonstrated risk that the charter school will not, make
- 263 repayment of amounts owed to the federal government or the state.
- 264 (b) The court shall describe the powers and duties of the receiver in the court's
- 265 appointing order, and may amend the order from time to time.
- 266 (c) Among other duties ordered by the court, the receiver shall:
- 267 (i) ensure the protection of the charter school's assets;
- 268 (ii) preserve money owed to creditors; and
- 269 (iii) if requested by the authorizer, carry out charter school closure procedures
- 270 described in Section 53G-5-504, and state board rules, as directed by the authorizer.
- 271 (d) If the authorizer does not request, or the court does not appoint, a receiver:
- 272 (i) the authorizer may reconstitute the governing board of a charter school; or
- 273 (ii) if a new governing board cannot be reconstituted, the authorizer shall complete the
- 274 closure procedures described in Section 53G-5-504, including liquidation and assignment of
- 275 assets, and payment of debt in accordance with state board rule, as described in Section
- 276 53G-5-504.
- 277 (e) For a qualifying charter school with outstanding bonds issued in accordance with
- 278 Part 6, Charter School Credit Enhancement Program, an authorizer shall obtain the consent of
- 279 the Utah Charter School Finance Authority before the authorizer takes the following actions:
- 280 (i) petitions a district court to appoint a receiver, as described in Subsection (6)(a);
- 281 (ii) reconstitutes the governing board, as described in Subsection (6)(d)(i); or

282 (iii) carries out closure procedures, as described in Subsection (6)(d)(ii).

283 Section 6. Section **53G-5-502** is amended to read:

284 **53G-5-502. Voluntary school improvement process.**

285 (1) As used in this section<sup>[7]</sup>:

286 (a) "~~high~~ High performing charter school" means a charter school that:

287 ~~[(a)]~~ (i) satisfies all requirements of state law and state board rules;

288 ~~[(b)]~~ (ii) has operated for at least three years meeting the terms of the school's charter  
289 agreement; and

290 ~~[(c)]~~ (iii) is in good standing with the charter school's authorizer.

291 (b) "Low performing charter school" means a charter school that is designated a low  
292 performing school, as that term is defined in Section 53E-5-301.

293 (c) "School turnaround plan" means the same as that term is defined in Section  
294 53E-5-301.

295 (2) (a) Subject to Subsection (2)(b), a charter school governing board may voluntarily  
296 request the charter school's authorizer to place the charter school, including a low performing  
297 charter school that has a school turnaround plan, in a school improvement process.

298 (b) A charter school governing board shall provide notice and a hearing on the charter  
299 school governing board's intent to make a request under Subsection (2)(a) to parents of students  
300 enrolled in the charter school.

301 (3) An authorizer may grant a charter school governing board's request to be placed in  
302 a school improvement process if the charter school governing board has provided notice and a  
303 hearing under Subsection (2)(b).

304 (4) An authorizer that has entered into a school improvement process with a charter  
305 school governing board shall:

306 (a) enter into a contract with the charter school governing board on the terms of the  
307 school improvement process;

308 (b) notify the state board that the authorizer has entered into a school improvement  
309 process with the charter school governing board;

310 (c) make a report to a committee of the state board regarding the school improvement  
311 process; and

312 (d) notify the Utah Charter School Finance Authority that the authorizer has entered  
313 into a school improvement process with the charter school governing board if the charter  
314 school is a qualifying charter school with outstanding bonds issued in accordance with Part 6,  
315 Charter School Credit Enhancement Program.

316 (5) Upon notification under Subsection (4)(b), and after the report described in  
317 Subsection (4)(c), the state board shall notify charter schools and the school district in which  
318 the charter school is located that the charter school governing board has entered into a school  
319 improvement process with the charter school's authorizer.

320 (6) A high performing charter school or the school district in which the charter school  
321 is located may apply to the charter school governing board to assume operation and control of  
322 the charter school that has been placed in a school improvement process.

323 (7) A charter school governing board that has entered into a school improvement  
324 process shall review applications submitted under Subsection (6) and submit a proposal to the  
325 charter school's authorizer to:

326 (a) terminate the school's charter, notwithstanding the requirements of Section  
327 [53G-5-503](#); and

328 (b) transfer operation and control of the charter school to:

329 (i) the school district in which the charter school is located; or

330 (ii) a high performing charter school.

331 (8) Except as provided in Subsection (9) and subject to Subsection (10), an authorizer  
332 may:

333 (a) approve a charter school governing board's proposal under Subsection (7); or

334 (b) (i) deny a charter school governing board's proposal under Subsection (7); and

335 (ii) (A) terminate the school's charter agreement in accordance with Section

336 [53G-5-503](#);

337 (B) allow the charter school governing board to submit a revised proposal; or

338 (C) take no action.

339 (9) An authorizer may not take an action under Subsection (8) for a qualifying charter  
340 school with outstanding bonds issued in accordance with Part 6, Charter School Credit  
341 Enhancement Program, without mutual agreement of the Utah Charter School Finance  
342 Authority and the authorizer.

343 (10) (a) An authorizer that intends to transfer operation and control of a charter school  
344 as described in Subsection (7)(b) shall request approval from the state board.

345 (b) (i) The state board shall consider an authorizer's request under Subsection (10)(a)  
346 within 30 days of receiving the request.

347 (ii) If the state board denies an authorizer's request under Subsection (10)(a), the  
348 authorizer may not transfer operation and control of the charter school as described in  
349 Subsection (7)(b).

350 (iii) If the state board does not take action on an authorizer's request under Subsection  
351 (10)(a) within 30 days of receiving the request, an authorizer may proceed to transfer operation  
352 and control of the charter school as described in Subsection (7)(b).

353 (11) If operation and control of a low performing charter school that has a school  
354 turnaround plan is transferred to a high performing charter school as described in Subsection  
355 (7)(b), the low performing charter school shall complete the requirements of the school  
356 turnaround plan and any other requirements imposed by the authorizer for school improvement.

357 Section 7. Section **53G-5-503** is amended to read:

358 **53G-5-503. Termination of a charter agreement.**

359 (1) Subject to the requirements of Subsection (3), a charter school authorizer may  
360 terminate a school's charter agreement for any of the following reasons:

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

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

364 (c) (i) designation as a low performing school under Title 53E, Chapter 5, Part 3,  
365 School Turnaround and Leadership Development; and

366 (ii) failure to improve the school's grade under the conditions described in Title 53E,  
367 Chapter 5, Part 3, School Turnaround and Leadership Development;

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

369 (e) other good cause shown.

370 (2) (a) The authorizer shall notify the following of the proposed termination in writing,  
371 state the grounds for the termination, and stipulate that the charter school governing board may  
372 request an informal hearing before the authorizer:

373 (i) the charter school governing board; and

374 (ii) if the charter school is a qualifying charter school with outstanding bonds issued in  
375 accordance with Part 6, Charter School Credit Enhancement Program, the Utah Charter School  
376 Finance Authority.

377 (b) Except as provided in Subsection (2)(e), the authorizer shall conduct the hearing in  
378 accordance with Title 63G, Chapter 4, Administrative Procedures Act, within 30 days after  
379 receiving a written request under Subsection (2)(a).

380 (c) If the authorizer, by majority vote, approves a motion to terminate a charter school,  
381 the charter school governing board may appeal the decision to the state board.

382 (d) (i) The state board shall hear an appeal of a termination made pursuant to  
383 Subsection (2)(c).

384 (ii) The state board's action is final action subject to judicial review.

385 (e) (i) If the authorizer proposes to terminate the charter agreement of a qualifying  
386 charter school with outstanding bonds issued in accordance with Part 6, Charter School Credit  
387 Enhancement Program, the authorizer shall conduct a hearing described in Subsection (2)(b)  
388 120 days or more after notifying the following of the proposed termination:

389 (A) the charter school governing board of the qualifying charter school; and

390 (B) the Utah Charter School Finance Authority.

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

394 (3) An authorizer may not terminate the charter agreement of a qualifying charter  
395 school with outstanding bonds issued in accordance with Part 6, Charter School Credit  
396 Enhancement Program, without mutual agreement of the Utah Charter School Finance  
397 Authority and the authorizer.

398 (4) (a) The state board shall make rules that require a charter school to report any  
399 threats to the health, safety, or welfare of its students to the State Charter School Board in a  
400 timely manner.

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

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

406 (6) If a charter agreement is terminated [~~during a school year~~], the following entities  
407 may apply to the charter school's authorizer to assume operation of the school:

408 (a) the school district where the charter school is located;

409 (b) the charter school governing board of another charter school; [~~or~~]

410 (c) a private management company[~~;~~]; or

411 (d) the governing board of a nonprofit corporation.

412 (7) (a) If a charter agreement is terminated, a student who attended the school may  
413 apply to and shall be enrolled in another public school under the enrollment provisions of  
414 Chapter 6, Part 3, School District Residency, subject to space availability.

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

416 Section 8. Section **53G-5-504** is amended to read:

417 **53G-5-504. Charter school closure.**

418 (1) As used in this section, "receiving charter school" means a charter school that an  
419 authorizer permits under Subsection (13)(a), to accept enrollment applications from students of  
420 a closing charter school.

421 [~~(1)~~] (2) If a charter school is closed for any reason, including the termination of a

422 charter agreement in accordance with Section 53G-5-503 or the conversion of a charter school  
423 to a private school, the provisions of this section apply.

424 ~~[(2)]~~ (3) A decision to close a charter school is made:

425 (a) when a charter school authorizer approves a motion to terminate described in  
426 Subsection 53G-5-503(2)(c);

427 (b) when the state board takes final action described in Subsection 53G-5-503(2)(d)(ii);

428 or

429 (c) when a charter school provides notice to the charter school's authorizer that the  
430 charter school is relinquishing the charter school's charter.

431 ~~[(3)]~~ (4) (a) No later than 10 days after the day on which a decision to close a charter  
432 school is made, the charter school shall:

433 (i) provide notice to the following, in writing, of the decision:

434 (A) if the charter school made the decision to close, the charter school's authorizer;

435 (B) the State Charter School Board;

436 (C) if the state board did not make the decision to close, the state board;

437 (D) parents of students enrolled at the charter school;

438 (E) the charter school's creditors;

439 (F) the charter school's lease holders;

440 (G) the charter school's bond issuers;

441 (H) other entities that may have a claim to the charter school's assets;

442 (I) the school district in which the charter school is located and other charter schools  
443 located in that school district; and

444 (J) any other person that the charter school determines to be appropriate; and

445 (ii) post notice of the decision on the Utah Public Notice Website, created in Section  
446 63F-1-701.

447 (b) The notice described in Subsection ~~[(3)]~~ (4)(a) shall include:

448 (i) the proposed date of the charter school closure;

449 (ii) the charter school's plans to help students identify and transition into a new school;



450 and

451 (iii) contact information for the charter school during the transition.

452 [~~(4)~~] (5) No later than 10 days after the day on which a decision to close a charter  
453 school is made, the closing charter school shall:

454 (a) designate a custodian for the protection of student files and school business records;

455 (b) designate a base of operation that will be maintained throughout the charter school  
456 closing, including:

457 (i) an office;

458 (ii) hours of operation;

459 (iii) operational telephone service with voice messaging stating the hours of operation;

460 and

461 (iv) a designated individual to respond to questions or requests during the hours of  
462 operation;

463 (c) assure that the charter school will maintain private insurance coverage [~~and~~] or risk  
464 management coverage for covered claims that arise before closure, throughout the transition to  
465 closure and for a period following closure of the charter school as specified by the charter  
466 school's authorizer;

467 (d) assure that the charter school will complete by the set deadlines for all fiscal years  
468 in which funds are received or expended by the charter school a financial audit and any other  
469 procedure required by state board rule;

470 (e) inventory all assets of the charter school; and

471 (f) list all creditors of the charter school and specifically identify secured creditors and  
472 assets that are security interests.

473 [~~(5)~~] (6) The closing charter school's authorizer shall oversee the closing charter  
474 school's compliance with Subsection [~~(4)~~] (5).

475 [~~(6)~~] (7) (a) A closing charter school shall return any assets remaining, after all  
476 liabilities and obligations of the closing charter school are paid or discharged, to the closing  
477 charter school's authorizer.

478 (b) The closing charter school's authorizer shall liquidate assets at fair market value or  
479 assign the assets to another public school.

480 ~~[(7)]~~ (8) The closing charter school's authorizer shall oversee liquidation of assets and  
481 payment of debt in accordance with state board rule.

482 ~~[(8)]~~ (9) The closing charter school shall:

483 (a) comply with all state and federal reporting requirements; and

484 (b) submit all documentation and complete all state and federal reports required by the  
485 closing charter school's authorizer or the state board, including documents to verify the closing  
486 charter school's compliance with procedural requirements and satisfaction of all financial  
487 issues.

488 ~~[(9)]~~ (10) When the closing charter school's financial affairs are closed out and  
489 dissolution is complete, the authorizer shall ensure that a final audit of the charter school is  
490 completed.

491 ~~[(10)]~~ (11) On or before January 1, 2017, the state board shall, after considering  
492 suggestions from charter school authorizers, make rules that:

493 (a) provide additional closure procedures for charter schools; and

494 (b) establish a charter school closure process.

495 (12) (a) Upon termination of the charter school's charter agreement:

496 (i) notwithstanding provisions to the contrary in Title 16, Chapter 6a, Part 14,

497 Dissolution, the nonprofit corporation under which the charter school is organized and

498 managed may be unilaterally dissolved by the authorizer; and

499 (ii) the net assets of the charter school shall revert to the authorizer as described in

500 Subsection (7).

501 (b) The charter school and the authorizer shall mutually agree in writing on the

502 effective date and time of the dissolution described in Subsection (12)(a).

503 (c) The effective date and time of dissolution described in Subsection (12)(b) may not

504 exceed five years after the date of the termination of the charter agreement.

505 (13) Notwithstanding the provisions of Chapter 6, Part 5, Charter School Enrollment:

506           (a) an authorizer may permit a specified number of students from a closing charter  
507 school to be enrolled in another charter school, if the receiving charter school:  
508           (i) (A) is authorized by the same authorizer as the closing charter school; or  
509           (B) is authorized by a different authorizer and the authorizer of the receiving charter  
510 school approves the increase in enrollment; and  
511           (ii) agrees to accept enrollment applications from students of the closing charter  
512 school;  
513           (b) a receiving charter school shall give new enrollment preference to applications  
514 from students of the closing charter school in the first school year in which the closing charter  
515 school is not operational; and  
516           (c) a receiving charter school's enrollment capacity is increased by the number of  
517 students enrolled in the receiving charter school from the closing charter school under this  
518 Subsection (13).  
519           (14) A member of the governing board or staff of the receiving charter school that is  
520 also a member of the governing board of the receiving charter school's authorizer, shall recuse  
521 himself or herself from a decision regarding the enrollment of students from a closing charter  
522 school as described in Subsection (13).