

# ARIZONA STATE SENATE

## RESEARCH STAFF



TO: JOINT LEGISLATIVE AUDIT COMMITTEE

DATE: January 29, 2026

SUBJECT: Sunset Review of the Credit Enhancement Eligibility Board

**MASON HOLLER**

LEGISLATIVE RESEARCH ANALYST  
EDUCATION COMMITTEE  
Telephone: (602) 926-3171

---

Attached is the final report of the sunset review of the Credit Enhancement Eligibility Board (Board), which was conducted by the Senate Education Committee of Reference.

This report has been distributed to the following individuals and agencies:

Governor of the State of Arizona

The Honorable Katie Hobbs

President of the Senate

Senator Warren Petersen

Speaker of the House of Representatives

Representative Steve Montenegro

Senate Members

Senator Hildy Angius, Chair

Senator Flavio Bravo

Senator Eva Diaz

Senator Timothy Dunn

Senator J.D. Mesnard

Senator Catherine Miranda

Senator Carine Werner

Credit Enhancement Eligibility Board

Office of the Auditor General

Arizona State Library, Archives and Public Records

Senate Resource Center

Senate Republican Staff

Senate Democratic Staff

Senate Research Staff

Office of the Chief Clerk

House Republican Staff

House Democratic Staff

House Research Staff

# **Senate Education Committee of Reference Final Report Credit Enhancement Eligibility Board**

## ***Background***

Pursuant to [A.R.S. § 41-2953](#), the Joint Legislative Audit Committee assigned the sunset review of the Credit Enhancement Eligibility Board (Board) to the Senate Education Committee of Reference and House Education Committee of Reference.

Originally established in 2016, the Legislature established the Board to oversee the Arizona Public School Credit Enhancement Program (Program), which assists public schools in obtaining more favorable financing by guaranteeing the payment of principal and interest on guaranteed financing issued by, or on behalf of, achievement district schools. To be eligible to participate in the Program, a public school or charter school must first apply to the Board to qualify as an achievement district school. The Board reviews and approves or denies achievement district school applications for guaranteed financing, and may deliver nonnegotiable program funding obligations in an aggregate principal amount not exceeding \$80,000 ([Laws 2016, Chapter 129](#); [A.R.S. §§ 41-5854 – 41-5857](#))

The Board consists of: 1) the Governor, or the Governor's designee; 2) the State Treasurer, or the State Treasurer's designee; and 3) the Director of the Arizona Department of Administration (ADOA), or the ADOA Director's designee. The Division of School Facilities within the ADOA must provide staff as requested by the Board to support the Board's activities (A.R.S. §§ [41-5852](#) and [41-5853](#)).

The Board is statutorily set to terminate on July 1, 2026, unless legislation is enacted for its continuation ([A.R.S. § 41-3026.01](#)).

## ***Committee of Reference Sunset Review Activity***

Pursuant to [A.R.S. § 41-2954](#), the Senate Education Committee of Reference held a public meeting on Wednesday, January 21, 2026, to consider Board's responses to the statutorily-outlined sunset factors and receive public testimony.

## ***Committee of Reference Recommendations***

The Senate Education Committee of Reference recommended that the Board be continued for 10 years, until July 1, 2036.

## ***Appendices***

1. Meeting Notice
2. Minutes of the Senate Education Committee of Reference  
Attachment A: Credit Enhancement Eligibility Board Presentation
3. Chairperson's letter requesting the Board's response to sunset factors
4. The Board's response to sunset factors

Interim agendas can be obtained via the Internet at <http://www.azleg.gov/Interim-Committees>

## ARIZONA STATE SENATE

### INTERIM MEETING NOTICE OPEN TO THE PUBLIC

#### SENATE EDUCATION COMMITTEE OF REFERENCE

**Date:** Wednesday, January 21, 2026  
**Time:** 1:45 P.M. or upon adj. of Senate Education Committee  
**Place:** SHR 1

**Members of the public may access a livestream of the meeting here:**

<https://www.azleg.gov/videoplayer/?clientID=6361162879&eventID=2026011049>

#### AGENDA

1. Call to Order
2. Roll Call
3. Sunset Review of the Credit Enhancement Eligibility Board
  - Presentation by the Credit Enhancement Eligibility Board
  - Public Testimony
  - Discussion and Recommendation
4. Sunset Review of the Western Interstate Commission for Higher Education
  - Presentation by the Western Interstate Commission for Higher Education
  - Public Testimony
  - Discussion and Recommendation
5. Review of the Arizona Department of Education - School Safety Program Performance Audit
  - Presentation by the Office of the Auditor General
  - Response by the Arizona Department of Education
  - Public Testimony
  - Discussion
6. Adjourn

#### Members:

Senator Hildy Angius, ~~Co-Chair~~ Chair  
Senator Carine Werner, Vice Chair  
Senator Flavio Bravo  
Senator Eva Diaz  
Senator Timothy "Tim" Dunn  
Senator J.D. Mesnard  
Senator Catherine Miranda



01/15/2026  
ls

For questions regarding this agenda, please contact Senate Research Department.

Persons with a disability may request a reasonable accommodation such as a sign language interpreter, by contacting the Senate Secretary's Office: (602) 926-4231 (voice). Requests should be made as early as possible to allow time to arrange the accommodation.

# ARIZONA STATE SENATE

## SENATE EDUCATION COMMITTEE OF REFERENCE

Minutes of the Meeting  
January 21, 2026  
1:45 P.M., or upon adj. of Senate Education Committee  
SHR 1

**Members of the public may access a livestream of the meeting here:**

<https://www.azleg.gov/videoplayer/?clientID=6361162879&eventID=2026011049>

### **Members Present:**

Senator Hildy Angius, Chair  
Senator Carine Werner, Vice-chair  
Senator Flavio Bravo  
Senator Eva Diaz  
Senator Timothy "Tim" Dunn  
Senator J.D. Mesnard  
Senator Catherine Miranda

### **Staff:**

Mason Holler, Education Research Analyst  
Kati Pratt, Education Assistant Research Analyst  
Sydney Maravillas, Education Research Intern

Chairman Angius called the meeting to order at 2:20 p.m. and attendance was taken.

## **SUNSET REVIEW OF THE CREDIT ENHANCEMENT ELIGIBILITY BOARD**

### **Presentation by the Credit Enhancement Eligibility Board**

**Catcher Baden, Director, Legislative Affairs, Arizona Governor's Office**, distributed and explained a PowerPoint Presentation entitled "Credit Enhancement Eligibility Board" (Attachment A) and answered questions posed by the Committee.

### **Public Testimony**

No public testimony took place.

### **Discussion and Recommendation**

**Senator Werner moved that the Senate Education Committee of Reference make the recommendation to continue the Credit**

**Enhancement Eligibility Board for 10 years, until July 1, 2036. The motion CARRIED by a voice vote.**  
**SUNSET REVIEW OF THE WESTERN INTERSTATE COMMISSION FOR HIGHER EDUCATION**

**Presentation by the Western Interstate Commission for Higher Education**

**Demi Michelau, President, Western Interstate Commission for Higher Education,** distributed and explained a PowerPoint Presentation entitled "Sunset Review of the Western Interstate Commission for Higher Education" (Attachment B) and a handout entitled "ARIZONA partner since 1953" (Attachment C). Ms. Michelau answered questions posed by the Committee.

**Public Testimony**

No public testimony took place.

**Discussion and Recommendation**

**Senator Werner moved that the Senate Education Committee of Reference make the recommendation to continue the Western Interstate Commission for Higher Education for 10 years, until July 1, 2036. The motion CARRIED by a voice vote.**

**REVIEW OF THE ARIZONA DEPARTMENT OF EDUCATION – SCHOOL SAFETY PROGRAM PERFORMANCE AUDIT**

**Presentation by the Office of the Auditor General**

**Cassie DeCocq, Senior Performance Auditor, Arizona Auditor General's Office,** distributed and explained a PowerPoint Presentation entitled "Arizona Department of Education" (Attachment D).

**Response by the Arizona Department of Education**

**Mike Kurtenbach, Director of School Safety, Arizona Department of Education,** offered testimony and answered questions posed by the Committee.

**Public Testimony**

No public testimony took place.

**Discussion**

The Committee offered comments.

Attached is a list noting the individuals who registered their positions on the agenda items (Attachment E).

There being no further business, the meeting was adjourned at 3:12 p.m.

Respectfully submitted,

Jackson Cooper  
Committee Secretary

(Audio recordings and attachments are on file in the Secretary of the Senate's Office/Resource Center, Room 115. Audio archives are available at <http://www.azleg.gov>)



# Credit Enhancement Eligibility Board

Catcher Baden, Director of Legislative Affairs

January 21, 2026



# What is the Credit Enhancement Eligibility Board?

- Established in 2016 (FY 2017 Budget)
- Comprised of the Governor, Treasurer, and ADOA Director (or their designees)
- No FTEs or administrative budget

Purpose of the Board is “to assist achievement district schools in obtaining financing by guaranteeing the payment of principal and interest” ([JLBC](#)). In other words, lower the interest rates of qualifying schools when borrowing for capital or refinancing debt.

*Achievement district schools are public schools (charter and district) with an “A” letter grade and enrollment demand.*



# How it Works

- In FY 2017, \$23.9m was transferred to the Arizona Public School Credit Enhancement Fund and the Board was authorized to use \$80m of program funding obligations from the Treasurer's operating fund balance
- This balance represents the guarantee that enhances schools' credit rating. Most of the credit ratings were enhanced from BB to AA- with interest rates between 2% and 5%
- Statute allows the Board to approve guaranteed financings up to \$350m



# Approved Guaranteed Financings

- The Board approved **15 projects** to 9 charter schools or charter operators.
- Of the 15, 12 were approved in the first 3 years. The other 3 were approved in 2020 and 2021.
- The Board is effectively at the maximum leverage amount of \$350m and has not considered or approved any new applications since 2021.



**Guaranteed Financings Outstanding or Approved**

Applicant/Borrower	Date Approved	Approved Amount	Date Issued	Description	Guaranteed Amount Issued	Maturity Dates	Interest Rates	Underlying Credit Rating	Enhanced Credit Rating	Principal and Interest Due in FY 2023	Use of Proceeds	Principal Outstanding
Academy of Math and Science	4/25/2017	\$24,808,821	7/6/2017	Series 2017A	\$23,465,000	2018 - 2052	4% - 5%	BB+	AA-	\$ 1,435,375.00	New construction and refinancing	\$ 21,215,000.00
Great Hearts	6/1/2017	\$35,970,811	7/13/2017	Series 2017A and Series 2017B	\$34,240,000	2018 - 2052	2% - 5%	BBB-	AA-	\$ 1,962,187.50	New construction and refinancing	\$ 30,630,000.00
BASIS <sup>1</sup>	8/3/2017	\$53,344,683	10/17/2017	Series 2017C	\$3,830,000	2021 - 2052	4% - 5%	BB	AA-	\$ 224,250.00	New construction	\$ 3,590,000.00
American Leadership Academy <sup>2</sup>	10/18/2017	\$14,000,000	-	-	-	-	-	-	-	-	-	-
Arizona Agribusiness and Equine Center	10/18/2017	\$17,000,000	12/14/2017	Series 2017A	\$5,120,000	2020 - 2048	3% - 5%	BB+	AA-	\$ 328,418.76	New construction	\$ 4,510,000.00
Great Hearts	10/18/2017	\$19,500,000	11/22/2017	Series 2017C and Series 2017D	\$19,500,000	2020 - 2048	3% - 5%	BBB	AA-	\$ 1,179,700.00	Acquisition and new construction	\$ 17,590,000.00
BASIS	11/2/2017	\$35,000,000	12/21/2017	Series 2017F	\$31,750,000	2021 - 2052	4% - 5%	BB+	AA-	\$ 1,961,100.00	New construction	\$ 29,825,000.00
Academy of Math and Science	12/7/2017	\$25,300,000	1/24/2018	Series 2018A	\$24,865,000	2018 - 2052	3% - 5%	BB+	AA-	\$ 1,492,750.00	New construction and refinancing	\$ 22,970,000.00
Vista College Preparatory <sup>4</sup>	6/21/2018	\$12,500,000	10/4/2018	Series 2018A/2018B	\$10,500,000	2019 - 2053	4% - 5%	BB+	AA-	\$ 625,043.76	New construction and refinancing	\$ 10,000,000.00
Highland Prep	9/12/2019	\$12,000,000	10/17/2019	Series 2019	\$10,290,000	2030-2050	3.25% - 5%	N/A	AA-	\$ 655,700.00	Purchase existing facility	\$ 9,740,000.00
Paradise Schools	10/9/2019	\$15,500,000	10/31/2019	Series 2019	\$14,285,000	2022-2054	3% - 4%	BB+	AA-	\$ 753,806.26	New construction	\$ 13,595,000.00
Legacy Traditional Schools <sup>4</sup>	10/21/2019	\$38,000,000	12/5/2019	Series 2019A	\$37,645,000	2023-2054	4% - 5%	BBB-	AA-	\$ 1,801,600.00	New construction	\$ 36,565,000.00
Candeo Schools	12/18/2019	\$22,000,000	2/13/2020	Series 2020A/2020B	\$19,600,000	2020-2047	2.47%-4%	BBB-	AA-	\$ 1,139,740.25	New construction and refinancing	\$ 17,760,000.00
Great Hearts <sup>3</sup>	-	-	-	-	-	-	-	-	-	-	-	-
Legacy Traditional Schools <sup>4</sup>	10/9/2020	\$45,000,000	11/3/2020	Series 2020	\$44,995,000	2021-2055	4%-5.25%	BB+	AA-	\$ 2,486,250.00	New construction	\$ 43,240,000.00
Great Hearts	3/12/2021	\$52,420,159	5/27/2021	Series 2021A	\$52,400,000	2022-2052	1.88%	BBB-	AA-	\$ 1,796,627.00	New construction	\$ 50,515,000.00
Highland Prep	4/16/2021	\$17,494,841	7/29/2021	Series 2021A	\$17,490,000	2022-2056	3.25%-5%	N/A	AA-	\$ 699,600.00	New Construction	\$ 17,490,000.00
<b>Total</b>					<b>\$349,975,000</b>					<b>\$18,542,149</b>		<b>\$329,235,000</b>



# Sunset Factors

- Current State of Affairs: Monitoring. The Board needs to meet if an approved school fails to meet its debt service obligation
- Eliminating the agency would mean the state would be unable to collect repayment from a school that defaults.
- Benefits of moving that function to another agency are negligible.
- Therefore, respectfully requesting a continuation of the Credit Enhancement Eligibility Board.





# Questions

June 12, 2025

Assistant Director Callie Tyler  
School Facilities Oversight Board  
100 North 15<sup>th</sup> Avenue, Suite 302  
Phoenix, Arizona 85007

Dear Assistant Director Tyler:

The sunset review process prescribed in Title 41, Chapter 27, Arizona Revised Statutes, provides a system for the Legislature to evaluate the need to continue the existence of state agencies. During the sunset review process, an agency is reviewed by legislative committees of reference (CORs). On completion of the sunset review, the CORs recommend to continue, revise, consolidate or terminate the agency.

The Joint Legislative Audit Committee has assigned the sunset review of the Credit Enhancement Eligibility Board to the CORs comprised of members of the Senate Education and Transportation Committee and the House of Representatives Education Committee.

Pursuant to A.R.S. § 41-2954, the COR is required to consider certain sunset factors in deciding whether to recommend continuance, modification or termination of an agency. Please provide your agency's response to the factors listed below:

1. The key statutory objectives and purposes in establishing the agency.
2. The agency's effectiveness and efficiency in fulfilling its key statutory objectives and purposes.
3. The extent to which the agency's key statutory objectives and purposes duplicate the objectives and purposes of other governmental agencies or private enterprises.
4. The extent to which rules adopted by the agency are consistent with the legislative mandate.
5. The extent to which the agency has provided appropriate public access to records, meetings and rulemakings, including soliciting public input in making rules and decisions.
6. The extent to which the agency timely investigated and resolved complaints that are within its jurisdiction.
7. The extent to which the level of regulation exercised by the agency is appropriate as compared to other states or best practices, or both.
8. The extent to which the agency has established safeguards against possible conflicts of interest.
9. The extent to which changes are necessary for the agency to more efficiently and effectively fulfill its key statutory objectives and purposes or to eliminate statutory responsibilities that are no longer necessary.
10. The extent to which the termination of the agency would significantly affect the public health, safety or welfare.

Additionally, please provide written responses to the following:

1. The extent to which the agency potentially creates unexpected negative consequences that may require additional review by the COR, including increasing the price of goods, affecting the

availability of services, limiting the abilities of individuals and businesses to operate efficiently and increasing the cost of government.

2. The extent to which the agency has addressed deficiencies in its enabling statutes.
3. The extent to which the agency has determined whether the Attorney General or any other agency in Arizona has the authority to prosecute or initiate actions.
4. The consequences of eliminating the agency or consolidating it with another agency.

Additionally, statute requires the COR to consider certain factors for each agency that administers an *occupational regulation*, which is defined as: 1) a statute, rule, practice, policy or other state law that allows an individual to use an occupational title or work in a lawful occupation; and 2) a government registration, government certification and occupational or professional license. An *occupational regulation* does not include a business license, facility license, building permit or zoning and land use regulation, except to the extent those state laws regulate an individual's personal qualification to perform a lawful occupation. If your agency falls under this category, please provide written responses to the following:

1. The extent to which the occupational regulation meets the requirements of A.R.S. § 41-3502.
2. The extent to which the failure to regulate a profession or occupation will result in:
  - a. the loss of insurance.
  - b. an impact to the ability to practice in other states or as required by federal law.
  - c. an impact to the required licensure or registration with the federal government.
  - d. the loss of constitutionally afforded practices.

Your response should be received by September 1, so that we may proceed with the sunset review and schedule the required public hearing. Please submit the requested information to:

Mason Holler  
Arizona State Senate  
1700 West Washington  
Phoenix, Arizona 85007

Thank you for your time and cooperation. If you have any questions, please feel free to contact me at (602) 926-3387 or Mason Holler, the Senate Education and Transportation Research Analyst, at (602) 926-3151.

Sincerely,

Senator David Farnsworth

cc: Representative Matt Gress, House Education Committee, Chair  
Chase Houser, House Education Committee, Analyst

August 29, 2025

Mason Holler  
Arizona State Senate  
1700 West Washington  
Phoenix, Arizona 85007

Dear Mr. Mason Holler:

Thank you for the opportunity to participate in the sunset review process. Pursuant to Arizona Revised Statutes §41-5853, the School Facilities Division is charged with providing staff as requested to support the Credit Enhancement Eligibility Board.

On behalf of the Credit Enhancement Eligibility Board, below please find our responses to the sunset factors pursuant to A.R.S. § 41-2954, which were outlined in your letter from June 12, 2025.

The Division looks forward to further collaboration during the sunset review process. If you have any questions please do not hesitate to contact me: [Callie.Tyler@azdoa.gov](mailto:Callie.Tyler@azdoa.gov), 602-695-0793.

Thank you,  
*Callie Tyler*

Callie Tyler  
Assistant Director  
School Facilities Division, ADOA

## **1. The key statutory objectives and purposes in establishing the agency.**

The Credit Enhancement Eligibility Board (Board) was established in Laws 2016, Chapter 129, to oversee the Arizona Public School Credit Enhancement Program, including: 1) approving applications to identify achievement district schools pursuant to A.R.S. § 41-5841; 2) approving applications for guaranteed financing pursuant to A.R.S. § 41-5855; and 3) maintaining the terms of guaranteed financing as necessary pursuant to A.R.S. § 41-5856.

## **2. The agency's effectiveness and efficiency in fulfilling its key statutory objectives and purposes.**

By 2021, the Board approved applicants for guaranteed financing up to the statutory maximum leverage ratio pursuant to A.R.S. § 41-5855 (see attached for the most recent report; the next report is expected to be issued by the end of September). As a result, there is no capacity to approve additional applications for guaranteed financing. Unless there is a missed payment that necessitates the Board taking action under A.R.S. § 41-5856, which has not happened to date, the Board is fulfilling its statutory duties and does not have a current need to meet.

## **3. The extent to which the agency's key statutory objectives and purposes duplicate the objectives and purposes of other governmental agencies or private enterprises.**

There are no other agencies that provide guaranteed financing for public schools in the same manner as the Board. Public schools may seek financing through private markets in a different manner than this agency.

## **4. The extent to which rules adopted by the agency are consistent with the legislative mandate.**

The Board has adopted R7-8-101 and R7-8-201 to meet the statutory criteria to approve applications for achievement district schools and to govern the application process for guaranteed financing consistent with the rulemaking authority enumerated in A.R.S. § 41-5853.

## **5. The extent to which the agency has provided appropriate public access to records, meetings and rulemakings, including soliciting public input in making rules and decisions.**

All Board meetings have been held in accordance with open meeting law and the adoption of final rules was held in a public meeting on February 7, 2017. Rulemaking was conducted through the exempt rulemaking process authorized in the enacting legislation and included a 30 day public comment period prior to final adoption.

## **6. The extent to which the agency timely investigated and resolved complaints that are within its Jurisdiction.**

The Board has not received any complaints to investigate and has not had any recipients of guaranteed financing default on payments.

**7. The extent to which the level of regulation exercised by the agency is appropriate as compared to other states or best practices, or both.**

The Board's primary charge is operationalizing the Public School Credit Enhancement Program and has adopted rules to govern the application process of this program. The level of regulation associated with the application and approval process is minimal and aligns with maintaining the statutorily mandated criteria for program participation.

**8. The extent to which the agency has established safeguards against possible conflicts of interest.**

The Board is composed of the Governor, State Treasurer, and Director of the Department of Administration or their designees. Actions taken by the Board follow state requirements for identifying and avoiding conflicts of interest.

**9. The extent to which changes are necessary for the agency to more efficiently and effectively fulfill its key statutory objectives and purposes or to eliminate statutory responsibilities that are no longer necessary.**

The Board has fulfilled its key statutory objective and purpose and no changes are necessary.

**10. The extent to which the termination of the agency would significantly affect the public health, safety or welfare.**

Termination of the Board would eliminate the State's ability to maintain protections and remedies for any approved guaranteed financings that are defaulted on and be detrimental to the protection of taxpayer dollars. This means that if a program participant is unable to make timely payment of principal and interest on guaranteed financing and the State Treasurer makes the payment, the State would be unable to make adjustments to a repayment schedule for the participants as well as collect repayment via the proceeds from the sale or lease of collateralized property, intercepting payments or monies otherwise payable to the school, or through insurance proceeds otherwise payable to the school.

**Additionally, please provide written responses to the following:**

**1. The extent to which the agency potentially creates unexpected negative consequences that may require additional review by the COR, including increasing the price of goods, affecting the availability of services, limiting the abilities of individuals and businesses to operate efficiently and increasing the cost of government.**

The Board has issued approval for guaranteed financing for 9 projects at 15 public schools and is not in the process of reviewing or accepting additional applications due to reaching funding capacity. There is no anticipation of the Board changing the marketplace of goods, services, or financing in the future as there is no capacity to issue additional awards.

**2. The extent to which the agency has addressed deficiencies in its enabling statutes.**

No statutory deficiencies have been identified that are in need of legislative changes.

**3. The extent to which the agency has determined whether the Attorney General or any other agency in Arizona has the authority to prosecute or initiate actions.**

The Attorney General is charged with enforcement of repayment for program participants on request of the Board. The Board has not referred any cases to the Attorney General for enforcement actions as of this submission.

**4. The consequences of eliminating the agency or consolidating it with another agency.**

Terminating the Board would limit the State's ability to recover funds in the event an approved applicant for guaranteed financing defaults. While the Board is not receiving applications to award additional guaranteed financings, the function of fund recovery is necessary to maintain so long as the approved guaranteed financings are outstanding. This protects the State in the event the State Treasurer is obligated to make a guaranteed financing repayment and the approved entity fails to repay the Treasurer. Without this statutory authority the State is at risk of being unable to recover outstanding obligations in the event of a default.