

**MINUTES OF THE
FUNDING OF PUBLIC EDUCATION TASK FORCE**

Tuesday, November 28, 2000 - 9:30 a.m. S Room 129 State Capitol

Members Present:

Sen. Lyle W. Hillyard, Chair
Rep. Kevin S. Garn, Chair
Sen. Paula F. Julander
Sen. Michael G. Waddoups
Rep. Patrice Arent
Rep. Greg J. Curtis
Rep. Brad King
Rep. David Ure

Staff Present:

Mr. Bill Asplund, Research Analyst
Mr. Bryant R. Howe, Research Analyst
Mr. James L. Wilson, Associate General Counsel
Mr. Dee S Larsen, Associate General Counsel
Ms. Alicia Gambles, Legislative Secretary

Note: A list of others present and handouts distributed are on file in the Office of Legislative Research and General Counsel.

1. Call to Order - Chair Garn called the meeting to order at 9:50 a.m.

***MOTION:** Sen. Waddoups moved to approve the minutes of the November 14, 2000 meeting. The motion passed unanimously with Rep. Curtis absent for the vote.*

2. Textbook Audit

Ms. Janice T. Coleman, Audit Supervisor, Office of Legislative Auditor General, discussed the audit on state textbook needs. She explained that the audit addressed 2 concerns: The amount of money required to replace outdated books and books of poor condition and the ability to provide textbooks in adequate numbers statewide. She indicated that based on their estimate, \$30.6 million was necessary to replace books in poor or outdated condition and to provide textbooks in adequate number statewide. This number could be reduced after year end expenditures are factored in.

She stated that the recommendation of the Legislative Auditor General is that the legislature formulate a financial plan to address textbook needs and that the Utah State Office of Education allocate any additional funds on a need basis, rather than on a proportionate basis. She indicated what the textbook and supply expenditure patterns are in certain districts, some districts had substituted state dollars for local dollars. Task Force discussion followed.

Sen. Hillyard summarized what occurred at the Audit Sub-committee meeting earlier that morning. He explained that a motion was unanimously passed asking staff to work with the State Office of Education and create a plan to solve the problem of funding textbooks and supplies.

Mr. John Schaff, Audit Manager, Office of Legislative Auditor General, indicated that the Legislative Auditor General was asked to provide recommendations on textbook needs. They are

as follows: (1) to examine how the Legislature could ensure that the 30.6 million will go to textbooks; (2) to assess if the 5.5 percent standard of WPU that is to be spent on supplies and textbooks is being spent and reported correctly by the 40 districts; (3) to chart over a 3-5 year period on a per student basis the dollars spent on textbooks by each district and the dollars spent on textbooks and supplies by each district; and (4) to provide information on whether the 5.5 percent is adequate or if it needs to be defined differently to make it adequate. Information on how much money is needed on an ongoing basis to keep textbooks current was requested. Task Force discussion followed.

Sen. Julander asked who is responsible for paying the waiver of textbook fees. Supt. Laing, Superintendent of Public Instruction, State Office of Education, stated that fees that are waived must be taken out of a school's general operating cost. Sen. Julander asked if a large number of students need fee waivers. Supt. Laing stated that it varies by district and that the funds are collected and are very substantial on a statewide basis.

***MOTION:** Sen. Hillyard moved that the Task Force recommend to the Legislature that \$30.6 million be adjusted with what has already be given to purchase textbooks to solve the problem identified by the textbook audit for public education under the following 4 conditions:*

(1) That the State Office of Education report back answering the question of how to allocate the money and resolve the problem by examining need versus effort between the school districts.

(2) That a full report be given over a 3-5 year time period by the Legislative Auditor General's Office based on the audit as to how the 5.5 percent for textbooks and supplies has been raised and spent in the past.

(3) That the State Office of Education clearly define what textbooks and supplies are for future expenditures.

(4) That a plan be devised to keep the textbook and supply fund current and approved by the State Office of Education and by the superintendents' association. The motion passed unanimously with Rep. Curtis absent for the vote.

3. Hazardous Waste Fees -

Rep. Ure reported on the site visit to the Barnwell Site in North Carolina. He stated that he spoke to many community, state, and local officials to learn about the site. He recommended that the legislature discuss the issue further.

Rep. King stated that although the Task Force does not know what the disposition may be, he suggested that they make a recommendation that the funds go to public education if the wastes should be accepted.

Mr. Dee Larsen, Office of Legislative Research and General Counsel, indicated that the working draft deals with an environmental quality restricted account. The draft would commit all excess revenues from the account to public education. He explained that the income sources of the restricted account are included in the working draft bill. Task Force discussion followed.

Mr. Larry Shumway, Superintendent, Tooele County School District, stated that a lot of the waste being spoken of usually ends up in Tooele. He strongly recommended that funding an important service by using fees from hazardous waste may not be desirable. He also stated that if the waste is in Tooele, a significant part of the revenue ought to stay there.

Supt. Laing reiterated that the State Office of Education recognizes the importance of trying to determine if Utah should accept these kinds of waste. He stated that once that decision is made, they are supportive of the working draft language.

***MOTION:** Rep. Ure moved that the Task Force recommend to the Education Interim Committee the language contained on page 2 of the working draft, "Waste Disposal Fees" lines 57 - 59 which states, "The Legislature shall, in years of excess account revenues after all the appropriations authorized in this section have been completed, appropriate the excess account monies for public education purposes." The motion passed unanimously with Rep. Curtis absent for the vote.*

4. Recommendations and Proposals

Mr. Jim Wilson, Office of Legislative Research and General Counsel, reviewed the draft legislation: "Public Education Capital Outlay Act Amendments." He explained that the recommendation to increase the current funding of the state from \$28,358,000 appropriation to \$38,358,000 is effective July 1, 2001. Task Force discussion followed.

Chair Garn pointed out that the State Office of Planning and Budget estimates that beginning in 2003 Utah will experience a large influx of students, about 14,000 new students a year. He explained that a need will be created to build 170 new schools, with the majority of that burden at the local level. He indicated that there are 16 districts that take advantage of this capital outlay program and would increase to 20 districts if the program is supplemented.

***MOTION:** Sen. Waddoups moved that the Task Force adopt "Public Education Capital Outlay Act Amendments" as a committee bill. The motion passed unanimously with Rep. Curtis absent for the vote.*

Mr. Wilson reviewed draft legislation: "School District Voted Leeway Amendments." He explained that currently school districts are allowed to enhance the basic educational program over and above how the minimum school program is funded by giving at least two additional

methods of funding, namely, the voted leeway and the board leeway. He explained that they deal with decisions made at the local level to enhance the programs. He stated that these programs have been around for a long time and that the state has tried to remove inequities by providing a guarantee. Mr. Wilson also indicated that the legislation would increase the amount of this guarantee for both the voted and board leeway. Task Force discussion followed.

Chair Garn explained that the draft legislation would increase the guarantee based on the value of the WPU which infuses greater equity into the system and gives districts the incentive to use their capacity at the local level.

***MOTION:** Sen. Hillyard moved to adopt “School District Voted Leeway Amendments” as a committee bill. The motion passed unanimously with Rep. Curtis absent for the vote.*

***MOTION:** Rep. Ure moved to recess until 12:30 p.m. The motion passed unanimously with Rep. Curtis absent for the vote.*

Rep. Swallow discussed the issue of tax credits. He indicated 3 items of focus to solve the funding problem. They are as follows: (1) increase taxes to increase revenue; (2) reduce capital, administrative, and other costs; and (3) reduce the demand on the public school system by having children educated by private schools. He explained that having another entity, besides tax payers, responsible for educating children will help solve some of the funding problem. He recommended that the legislature consider how they can decrease the demand on the public school system by encouraging the development of a private school infrastructure. He indicated that by using tax credits, parents are given an incentive by making it less expensive to enroll their children in private schools. Task Force discussion followed.

Mr. Jim Wilson discussed draft legislation: “Certified Revenue Tax Levy for Public Education.” He explained that the certified levy in the school finance bill is an estimate that would generate the same dollars as the previous year plus new growth. This levy is subject to further adjustment by the Tax Commission to arrive at the specified dollar amount. This proposal would include an inflationary factor in determining the levy. Task Force discussion followed.

Mr. Greg Fredde, Vice President, Utah Tax Payer’s Association, acknowledged the work the Task Force had done to provide for long term funding for public education. He discussed the property tax issue and answered questions from Task Force members. He stated that a quality education system is needed and that a significant investment is lost if graduating students have to find work outside of Utah. He urged the Task Force that when considering an inflationary adjustment to have a representative from the business sector and to go through the truth in taxation process. Task Force discussion followed.

MOTION: *Sen. Hillyard moved to report back to the legislature that the Task Force has discussed the property tax and tax levy issue and recommend consideration of the proposal by the legislature.*

SUBSTITUTE MOTION: *Sen. Waddoups moved to adopt draft legislation “Certified Revenue Tax Levy for Public Education” with the following amendment. After the word “Legislature” insert the words “shall discuss the impact of” and delete [may also include a percentage equal to]. And on line 29 delete all language after the word “Index” and insert the words “prior to setting the amount referred to in 53a-17a-135 (1) (a).” The motion passed with Sen. Hillyard voting in opposition and Sen. Julander absent for the vote.*

MOTION: *Rep. King moved that the Task Force direct the Constitutional Revision Committee and the Tax Review Commission to look at the exemptions to the tax and special treatment of value contained in the Tax Article to examine if there are any changes they might recommend to eliminate the continued challenges of the property tax values by centrally-assessed businesses. The motion passes unanimously.*

MOTION: *Rep. Ure moved that staff prepare legislation directing the Tax Review Commission and the Revenue and Tax Interim Committee to examine the income tax, sales tax, and property tax exemption on government and non-profit enterprises. The motion passed unanimously.*

Mr. Bill Asplund, Office of Legislative Research and General Counsel, summarized the national effort in regards to use tax collections on purchases made outside the state, but which are brought into the state for use. These purchases are already subject to the tax, the issue is developing a way to collect the tax from businesses outside the state. He indicated that there are 39 states participating in this project.

Mr. Asplund indicated that within the week, legislation will be proposed for review by the states as to how they should begin to figure out better ways of collecting use tax which is owed to each state. He also indicated that it will require cooperation among each state because of the difference in rates and the difficulty this presents for businesses. There are over 7,000 tax jurisdictions and over 30,000 different taxes being imposed. This process would include simplifying tax rates.

Chair Garn expressed appreciation for the teachers in Utah. He commended them for their work and professionalism. He commented that when teachers decide to choose this profession, they know the financial rewards will be limited, but teachers understand more than anyone else that they have the opportunity to touch the lives of hundreds of children during their teaching careers. He stated that teachers need to be treated as professionals and they need to be

compensated as professionals. They also need the opportunity to work in a professional working environment. However, as the issues of public education are considered such as compensation for teachers, textbooks and supplies, class size reduction, building new schools, and in-service training programs, they must temper their expectations with reality.

5. Adjourn

MOTION: Sen. Waddoups moved to adjourn the meeting. The motion passed unanimously with Sen. Hillyard, Rep. Ure, and Rep. Curtis absent for the vote. The meeting adjourned at 3:25 p.m.