

**EQUALIZATION OF FUNDING FOR DIVIDED**

**SCHOOL DISTRICTS**

2009 GENERAL SESSION

STATE OF UTAH

**Chief Sponsor: Jim Bird**

Senate Sponsor: \_\_\_\_\_

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**LONG TITLE**

**General Description:**

This bill provides for equalization of property tax revenues when a school district division takes place.

**Highlighted Provisions:**

This bill:

- ▶ creates the divided school district levy;
- ▶ requires equalization of school property taxes at a certain amount per student when a school district is divided;
- ▶ sets the rate for the divided school district levy;
- ▶ requires the state superintendent to report certain information;
- ▶ requires county officials to perform certain functions;
- ▶ modifies truth in taxation procedures related to the equalization of school property taxes in a divided district;
- ▶ defines terms; and
- ▶ makes technical changes.

**Monies Appropriated in this Bill:**

None

**Other Special Clauses:**

This bill has retrospective operation for a taxable year beginning on or after January 1,



28 2009.

29 **Utah Code Sections Affected:**

30 AMENDS:

31 **53A-2-118.3**, as enacted by Laws of Utah 2008, Chapter 236

32 **59-2-924.4**, as enacted by Laws of Utah 2008, Chapter 236



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

35 Section 1. Section **53A-2-118.3** is amended to read:

36 **53A-2-118.3. Imposition of the divided school district levy in qualifying divided**  
37 **school districts.**

38 (1) For purposes of this section:

39 (a) "Capital outlay increment" is as defined in Section 59-2-924.3.

40 (b) "Contributing divided school district" is as defined in Section 59-2-924.4.

41 (c) "Divided school district levy" means a property tax levy imposed in accordance  
42 with this section.

43 (d) "Equalized property tax revenues per enrolled student" means:

44 (i) the total amount of property tax, including fee-in-lieu revenues, imposed by a  
45 qualifying divided school district in the calendar year preceding a qualifying taxable year; less

46 (ii) revenue generated by:

47 (A) the minimum basic tax rate imposed under Section 53A-17a-135; and

48 (B) a levy for bonded indebtedness imposed under Title 11, Chapter 14, Local  
49 Government Bonding Act; divided by

50 (iii) the qualifying divided school district enrollment for the year preceding the  
51 qualifying taxable year, as of the October 1 enrollment count.

52 ~~[(a)]~~ (e) "Qualifying divided school district" means a divided school district  
53 ~~located within a county of the second through sixth class; and~~ ~~[(ii)]~~ with a new school district  
54 created under Section 53A-2-118.1 that begins to provide educational services on or after July  
55 1, 2008.

56 ~~[(b)]~~ (f) "Qualifying taxable year" means the calendar year in which a new school  
57 district begins to provide educational services.

58 (g) "Receiving divided school district" is as defined in Section 59-2-924.4.

59 (h) "Total equalized property tax revenues" means the equalized property tax revenues  
60 per enrolled student multiplied by the total enrollment within the qualifying divided school  
61 district, as of the October 1 counts in the preceding calendar year.

62 (2) When a new school district is created pursuant to Section 53A-2-118.1, the state  
63 superintendent shall:

64 (a) (i) determine the amount of equalized property tax revenues per enrolled student  
65 generated in the qualifying divided school district during the calendar year preceding the  
66 qualifying taxable year; and

67 (ii) notify the affected districts within a qualifying divided school district and the  
68 county auditor of the superintendent's:

69 (A) initial estimate of the equalized property tax revenues per enrolled student by  
70 January 1 of the calendar year preceding the qualifying taxable year; and

71 (B) final estimate of the equalized property tax revenues per enrolled student by June 1  
72 of the calendar year preceding the qualifying taxable year; and

73 (b) annually calculate and notify the affected school districts within a qualifying  
74 divided school district and the county auditor of the superintendent's:

75 (i) initial estimate of the total equalized property tax revenues by January 1 of the  
76 calendar year preceding the qualifying taxable year; and

77 (ii) final estimate of the total equalized property tax revenues by June 1 of the calendar  
78 year preceding the qualifying taxable year.

79 (3) (a) The county auditor of a county with a qualifying divided school district shall  
80 determine the property tax rates described in Subsections (3)(b) and (c) by July 1 of each  
81 taxable year beginning with the qualifying taxable year.

82 (b) Except as provided in Subsection (3)(c), the tax rate for a qualifying divided school  
83 district's divided school district levy is a tax rate that generates an amount of property tax  
84 revenues equal to the qualifying divided school district's total equalized property tax revenues.

85 (c) If the qualifying divided school district is located within a county of the first class,  
86 the tax rate for a qualifying divided school district's divided school district levy is a tax rate that  
87 generates an amount of property tax revenues equal to:

88 (i) the qualifying divided school district's total equalized property tax revenues; minus

89 (ii) the sum of the capital outlay increments of all receiving divided school districts

90 located within the qualifying divided school district.

91 ~~[(2)]~~ (4) Beginning with the qualifying taxable year, in order to qualify for receipt of  
92 the state contribution toward the minimum school program described in Section 53A-17a-104,  
93 a school district within a qualifying divided school district shall impose a ~~[capital outlay]~~  
94 divided school district levy [described in Section 53A-16-107 of at least .0006 per dollar of  
95 taxable value] at the rate calculated by the county auditor under Subsection (3).

96 ~~[(3)]~~ (5) The county treasurer of a county with a qualifying divided school district shall  
97 distribute revenues generated by ~~[the .0006 portion of the capital outlay]~~ the divided school  
98 district levy required in Subsection ~~[(2)]~~ (4) to [the] a school [districts] district located within  
99 the boundaries of the qualifying divided school district [as follows:] in proportion to each  
100 school district's proportion of total current year enrollment within the qualifying divided school  
101 district, as of the October 1 enrollment counts in the calendar year in which the levy is  
102 imposed.

103 ~~[(a) 25% of the revenues shall be distributed in proportion to a school district's~~  
104 ~~percentage of the total enrollment growth in all of the school districts within the qualifying~~  
105 ~~divided school district that have an increase in enrollment, calculated on the basis of the~~  
106 ~~average annual enrollment growth over the prior three years in all of the school districts within~~  
107 ~~the qualifying divided school district that have an increase in enrollment over the prior three~~  
108 ~~years, as of the October 1 enrollment counts; and]~~

109 ~~[(b) 75% of the revenues shall be distributed in proportion to a school district's~~  
110 ~~percentage of the total current year enrollment in all of the school districts within the qualifying~~  
111 ~~divided school district, as of the October 1 enrollment counts.]~~

112 ~~[(4)]~~ (6) If a new school district is created or school district boundaries are adjusted,  
113 the enrollment ~~[and average annual enrollment growth]~~ for each affected school district shall be  
114 calculated on the basis of enrollment in school district schools located within that school  
115 district's newly created or adjusted boundaries, as of October 1 enrollment counts.

116 ~~[(5) On or before December 31 of each year, the State Board of Education shall~~  
117 ~~provide a county treasurer with audited enrollment information from the fall enrollment audit~~  
118 ~~necessary to distribute revenues as required by this section.]~~

119 ~~[(6)]~~ (7) On or before March 31 of each year, a county treasurer in a county with a  
120 qualifying divided school district shall distribute, in accordance with Subsection ~~[(3)]~~ (5), the

121 revenue generated within the qualifying divided school district during the prior calendar year  
 122 from the [~~capital outlay~~] levy required in Subsection [~~(2)~~] (4).

123 Section 2. Section **59-2-924.4** is amended to read:

124 **59-2-924.4. Adjustment of the calculation of the certified tax rate for certain**  
 125 **divided school districts -- Aggregate tax rate limitation.**

126 (1) As used in this section:

127 [~~(a) "Capital outlay increment" means the amount of revenue equal to the difference~~  
 128 ~~between:]~~

129 [~~(i) the amount of revenue generated by a levy of .0006 per dollar of taxable value~~  
 130 ~~within a qualifying divided school district during a fiscal year; and]~~

131 [~~(ii) the amount of revenue the qualifying divided school district received during the~~  
 132 ~~same fiscal year from the distribution described in Section 53A-2-118.3.]~~

133 (a) "Aggregate tax rate" means a tax rate that equals the sum of the tax rates of the  
 134 following levies:

135 (i) Section 11-2-7;

136 (ii) Section 53A-2-118.3;

137 (iii) Section 53A-16-107;

138 (iv) Section 53A-16-111;

139 (v) Section 53A-17a-127;

140 (vi) Section 53A-17a-133;

141 (vii) Section 53A-17a-134;

142 (viii) Section 53A-17a-143;

143 (ix) Section 53A-17a-145;

144 (x) Section 53A-17a-151; and

145 (xi) Section 63-7-704.

146 (b) "Contributing divided school district" means a school district located within a  
 147 qualifying divided school district that in a fiscal year receives less revenue from the distribution  
 148 described in [~~Section~~] Subsection 53A-2-118.3(5) than it would have received during the same  
 149 fiscal year from [~~a levy imposed within the school district of .0006 per dollar of taxable value~~]  
 150 the imposition of the divided school district levy within the contributing divided school district.

151 (c) "Divided school district" means a school district from which a new school district is

152 created.

153 (d) "Divided school district increment" means the amount of revenue equal to the  
154 difference between:

155 (i) the amount of revenue generated by the imposition of the divided school district  
156 levy within a qualifying divided school district during a fiscal year; and

157 (ii) the amount of revenue the qualifying divided school district received during the  
158 same fiscal year from the distribution described in Subsection 53A-2-118.3(5).

159 (e) "Divided school district levy" means a property tax levy imposed in accordance  
160 with Section 53A-2-118.3.

161 ~~[(d)]~~ (f) "New school district" means a school district:

162 (i) created under Section 53A-2-118.1;

163 (ii) that begins to provide educational services after July 1, 2008; and

164 (iii) located in a qualifying divided school district.

165 ~~[(e)]~~ (g) "Qualifying divided school district" means a divided school district~~[(i)~~  
166 ~~located within a county of the second through sixth class; and (ii)]~~ with a new school district  
167 created under Section 53A-2-118.1 that begins to provide educational services after July 1,  
168 2008.

169 ~~[(f)]~~ (h) "Qualifying fiscal year" means the first fiscal year that a new school district  
170 begins to provide educational services.

171 ~~[(g)]~~ (i) "Receiving divided school district" means a school district located within a  
172 qualifying divided school district that in a fiscal year receives more revenue from the  
173 distribution described in ~~[Section]~~ Subsection 53A-2-118.3(5) than it would have received  
174 during the same fiscal year from ~~[a levy imposed within the school district of .0006 per dollar~~  
175 ~~of taxable value]~~ the imposition of the divided school district levy within the receiving divided  
176 school district.

177 (2) For the qualifying fiscal year, a contributing school district is exempt from the  
178 public notice and hearing requirements of Sections 59-2-918 and 59-2-919 if the contributing  
179 school district budgets an amount of ad valorem property tax revenue for the contributing  
180 school district's aggregate tax rate in an amount equal to or less than the sum of the following:

181 (a) an amount of revenue equal to:

182 (i) the amount of revenue generated by the contributing school district's aggregate tax

183 rate for the prior year; and

184 (ii) revenue from new growth as defined in Subsection 59-2-924(4); and

185 (b) an amount equal to the contributing school district's estimated divided school  
 186 district increment for the qualifying fiscal year.

187 (3) For the qualifying fiscal year, a receiving school district is exempt from the public  
 188 notice and hearing requirements of Sections 59-2-918 and 59-2-919 if the receiving school  
 189 district budgets an amount of ad valorem property tax revenue for the receiving school district's  
 190 aggregate tax rate in an amount equal to or less than the difference of the following:

191 (a) an amount of revenue equal to:

192 (i) the amount of revenue generated by the contributing school district's aggregate tax  
 193 rate for the prior year; and

194 (ii) revenue from new growth as defined in Subsection 59-2-924(4); and

195 (b) an amount equal to the receiving school district's estimated divided school district  
 196 increment for the qualifying fiscal year.

197 ~~[(2)-A] (4) Beginning with the fiscal year after the qualifying fiscal year, a receiving~~  
 198 ~~divided school district shall decrease its certified tax rate calculated in accordance with Section~~  
 199 ~~59-2-924 by the amount required to offset the receiving divided school district's [capital outlay]~~  
 200 ~~divided school district increment for the prior fiscal year.~~

201 ~~[(3)] (5) Beginning with the fiscal year after the qualifying fiscal year, a contributing~~  
 202 ~~divided school district is exempt from the public notice and hearing requirements of Sections~~  
 203 ~~59-2-918 and 59-2-919 for the contributing divided school district's certified tax rate calculated~~  
 204 ~~pursuant to Section 59-2-924 if:~~

205 ~~(a) the contributing divided school district budgets an increased amount of ad valorem~~  
 206 ~~property tax revenue exclusive of new growth as defined in Subsection 59-2-924(4) for the~~  
 207 ~~[capital outlay] divided school district levy required in Section 53A-2-118.3; and~~

208 ~~(b) the increased amount of ad valorem property tax revenue described in Subsection~~  
 209 ~~[(3)] (5)(a) is less than or equal to that contributing divided school district's [capital outlay]~~  
 210 ~~divided school district increment for the prior year.~~

211 ~~[(4) Beginning with the fiscal year after the qualifying fiscal year, a contributing~~  
 212 ~~divided school district is exempt from the public notice and hearing requirements of Sections~~  
 213 ~~59-2-918 and 59-2-919 for the contributing divided school district's certified tax rate calculated~~

214 pursuant to Section 59-2-924 if:]

215 ~~[(a) the contributing divided school district budgets an increased amount of ad valorem~~  
216 ~~property tax revenue exclusive of new growth as defined in Subsection 59-2-924(4) for the~~  
217 ~~capital outlay levy described in Section 53A-2-118.3; and]~~

218 ~~[(b) the increased amount of ad valorem property tax revenue described in Subsection~~  
219 ~~(4)(a) is less than or equal to the difference between:]~~

220 ~~[(i) the amount of revenue generated by a levy of .0006 per dollar of taxable value~~  
221 ~~imposed within the contributing divided school district during the current taxable year; and]~~

222 ~~[(ii) the amount of revenue generated by a levy of .0006 per dollar of taxable value~~  
223 ~~imposed within the contributing divided school district during the prior taxable year.]~~

224 ~~[(5)]~~ (6) Regardless of the amount a school district receives from the revenue collected  
225 from the ~~[:0006 portion of the capital outlay]~~ divided school district levy described in Section  
226 53A-2-118.3, the revenue generated within the school district from the ~~[:0006 portion of the~~  
227 ~~capital outlay]~~ divided school district levy described in Section 53A-2-118.3 shall be  
228 considered to be budgeted ad valorem property tax revenues of the school district that levies  
229 the ~~[:0006 portion of the capital outlay]~~ divided school district levy for purposes of calculating  
230 the school district's certified tax rate in accordance with Section 59-2-924.

231 (7) Notwithstanding the statutory property tax rate caps allowed by statute, beginning  
232 with the qualifying fiscal year, the aggregate tax rate of a school district located in a qualifying  
233 divided school district may not exceed .0062 per dollar of taxable value.

234 Section 3. **Retrospective operation.**

235 This bill has retrospective operation for a taxable year beginning on or after January 1,  
236 2009.

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**H.B. 155 - Equalization of Funding for Divided School Districts**

**Fiscal Note**

2009 General Session

State of Utah

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**State Impact**

Enactment of this bill will not require additional appropriations.

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**Individual, Business and/or Local Impact**

Enactment of this bill could result in a property tax shift of \$16,400,000 in FY 2010 and \$17,300,000 in FY 2011 between individuals and businesses depending upon geographic location. Districts experiencing decreased revenue due to the shift will either reduce budgets or increase property tax assessments through truth in taxation.

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