

**EQUALIZATION OF FUNDING FOR DIVIDED
SCHOOL DISTRICTS**

2010 GENERAL SESSION

STATE OF UTAH

Chief Sponsor: Jim Bird

Senate Sponsor: _____

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 the notice and public hearing requirements for property tax increases related to the equalization of school property taxes in a divided school 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 2010.

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 last amended by Laws of Utah 2009, Chapter 204



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 [~~ⓐ~~] (e) "Qualifying divided school district" means a divided school

52a ~~Ĥ~~→ [f] district [g] ←~~Ĥ~~ [·:(i)]

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 [~~ⓑ~~] (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.

58a ~~Ĥ~~→ (h) **"Total equalized property tax revenues" means the equalized property tax revenues**
58b **per enrolled student multiplied by the total enrollment within the qualifying divided school**
58c **district, as of the October 1 counts in the preceding calendar year.** ←~~Ĥ~~

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

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

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

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

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

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

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

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

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

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

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

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

86 (ii) the sum of the capital outlay increments of all receiving divided school districts
87 located within the qualifying divided school district.

88 ~~(2)~~ (4) Beginning with the qualifying taxable year, in order to qualify for receipt of
89 the state contribution toward the minimum school program described in Section 53A-17a-104,

90 a school district within a qualifying divided school district shall impose a ~~[capital outlay levy~~
91 ~~described in Section 53A-16-107 of at least .0006 per dollar of taxable value]~~ divided school
92 district levy at the rate calculated by the county auditor under Subsection (3).

93 ~~[(3)]~~ (5) The county treasurer of a county with a qualifying divided school district shall
94 distribute revenues generated by the ~~[-.0006 portion of the capital outlay]~~ divided school district
95 levy required in Subsection ~~[(2)]~~ (4) to [the] a school [districts] district located within the
96 boundaries of the qualifying divided school district [as follows:] in proportion to each school
97 district's proportion of total current year enrollment within the qualifying divided school
98 district, as of the October 1 enrollment counts in the calendar year in which the levy is
99 imposed.

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

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

109 ~~[(4)]~~ (6) If a new school district is created or school district boundaries are adjusted,
110 the enrollment ~~[and average annual enrollment growth]~~ for each affected school district shall be
111 calculated on the basis of enrollment in school district schools located within that school
112 district's newly created or adjusted boundaries, as of October 1 enrollment counts.

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

116 ~~[(6)]~~ (7) On or before March 31 of each year, a county treasurer in a county with a
117 qualifying divided school district shall distribute, in accordance with Subsection ~~[(3)]~~ (5), the
118 revenue generated within the qualifying divided school district during the prior calendar year
119 from the ~~[capital outlay]~~ levy required in Subsection ~~[(2)]~~ (4).

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

121 **59-2-924.4. Adjustment of the calculation of the certified tax rate for certain**
122 **divided school districts -- Aggregate tax rate limitation.**

123 (1) As used in this section:

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

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

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

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

132 (i) Section 11-2-7;

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

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

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

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

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

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

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

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

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

142 (xi) Section 63-7-704.

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

148 (c) "Divided school district" means a school district from which a new school district is
149 created.

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

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

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

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

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

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

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

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

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

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

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

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

178 (a) an amount of revenue equal to:

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

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

182 (b) an amount equal to the contributing school district's estimated divided school

183 district increment for the qualifying fiscal year.

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

188 (a) an amount of revenue equal to:

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

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

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

194 ~~[(2)-A]~~ (4) Beginning with the fiscal year after the qualifying fiscal year, a receiving
 195 divided school district shall decrease its certified tax rate calculated in accordance with Section
 196 59-2-924 by the amount required to offset the receiving divided school district's [capital outlay]
 197 divided school district increment for the prior fiscal year.

198 ~~[(3)]~~ (5) Beginning with the fiscal year after the qualifying fiscal year, a contributing
 199 divided school district is exempt from the notice and public hearing provisions of Section
 200 59-2-919 for the contributing divided school district's certified tax rate calculated pursuant to
 201 Section 59-2-924 if:

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

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

208 ~~[(4) Beginning with the fiscal year after the qualifying fiscal year, a contributing~~
 209 ~~divided school district is exempt from the notice and public hearing provisions of Section~~
 210 ~~59-2-919 for the contributing divided school district's certified tax rate calculated pursuant to~~
 211 ~~Section 59-2-924 if:]~~

212 ~~[(a) the contributing divided school district budgets an increased amount of ad valorem~~
 213 ~~property tax revenue exclusive of new growth as defined in Subsection 59-2-924(4) for the~~

214 capital outlay levy described in Section 53A-2-118.3; and]

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

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

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

221 ~~[(5)]~~ (6) Regardless of the amount a school district receives from the revenue collected
222 from the ~~[:0006 portion of the capital outlay]~~ divided school district levy described in Section
223 53A-2-118.3, the revenue generated within the school district from the ~~[:0006 portion of the~~
224 ~~capital outlay]~~ divided school district levy described in Section 53A-2-118.3 shall be
225 considered to be budgeted ad valorem property tax revenues of the school district that levies
226 the ~~[:0006 portion of the capital outlay]~~ divided school district levy for purposes of calculating
227 the school district's certified tax rate in accordance with Section 59-2-924.

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

231 Section 3. **Retrospective operation.**

232 This bill has retrospective operation for a taxable year beginning on or after January 1,
233 2010.

Legislative Review Note
as of 11-18-09 1:40 PM

Office of Legislative Research and General Counsel

H.B. 292 - Equalization of Funding for Divided School Districts

Fiscal Note

2010 General Session

State of Utah

State Impact

Enactment of this bill will not require additional appropriations.

Individual, Business and/or Local Impact

Enactment of this bill will result in a property tax shift of \$15,400,000 between individuals and businesses depending upon geographic location.
